

State of IDAHO

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2012

Idaho Outdoor Activities



Camping
Madison County

On the cover: **Fly Fishing, Custer County**
All photos courtesy of Idaho Tourism

State of
IDAHO

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2012

C.L. "Butch" Otter
Governor

Donna M. Jones
State Controller

Prepared by the Office of the State Controller

This document and related information is available at www.sco.idaho.gov

State of Idaho

Office of the State Controller

Donna M. Jones
State Controller

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Thanks and appreciation to the Bureaus of Accounting Operations, Systems Administration,
and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to
contribute accurate, timely financial data for their agencies make this report possible.

State of Idaho
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2012

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Introductory Section



Biking
Blaine County



STATE OF IDAHO
OFFICE OF THE STATE CONTROLLER
Brandon D Woolf

December 20, 2012

To: The Citizens, Governor, and Members of the Idaho
State Legislature

As the State's Chief Fiscal Officer, I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012, in accordance with Idaho Code, Section 67-1001. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board.

The Office of the State Controller assumes responsibility for both the reliability and completeness of the information presented in this report. Internal controls are designed to provide reasonable, but not absolute, assurance the financial statements are free from material misstatement. I am confident the data presented is accurate in all material respects and fairly sets forth the financial position of state operations based upon the internal control structure established by management.

In accordance with Idaho Code, Section 67-702, the Legislative Audit staff of the State Legislature has audited the State's basic financial statements for the fiscal year ended June 30, 2012. Based upon that audit, the independent auditor has issued an unqualified opinion that the State of Idaho's basic financial statements are fairly presented in conformity with GAAP. The Independent Auditor's Report is located at the front of the financial section of this report.

In addition, the Legislative Audit staff conducts statewide audits under the Federal Single Audit Act of 1984 and the related Office of Management and Budget Circular No. A-133 in order to meet the special needs of federal grantor agencies. Information regarding Idaho's Single Audit is issued in a separate report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report on page 4 and provides a narrative introduction, overview, and analysis to accompany the basic financial statements. The intent of this letter of transmittal is to

complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. The State covers 83,557 square miles and has a population of 1.6 million people.

Idaho's government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is administered and supervised by the Idaho Supreme Court, which is presided over by a Chief Justice and four Associate Justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. The financial reporting entity includes all funds of the primary government as well as material component units for which the primary government is financially accountable. Additional information on component units can be found in Note 1 to the financial statements.

The annual budgetary process serves as the foundation for the State's financial planning and control. Budgets are annually appropriated for the following governmental funds: general, special revenue, capital projects, and earnings of the permanent funds. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control is maintained at the same level of detail as appropriated. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The expenditures of any fiscal year may not exceed anticipated revenues,

ensuring a balanced budget. The budgetary process is further described in the note to the budgetary schedule on page 106 and the separately issued Legal Basis Financial Report.

ECONOMIC CONDITION

Financial Policies

Article VII of the Idaho Constitution allows for state revenue generation from a number of sources. This balanced approach to funding essential services allows the State to operate on a sound fiscal basis in a variety of economic conditions. In comparison to some neighboring states that rely primarily upon sales tax or income tax, Idaho derives comparable amounts of its own-source revenues from both sources, ensuring that vital services are less prone to disruption.

The State, through Idaho Code, Sections 57-814, 67-3520, and 33-907, maintains reserves for the purposes of meeting General Fund revenue shortfalls, meeting expenses incurred because of a major disaster, providing tax relief to the citizens of Idaho on a one-time basis, or providing a uniform and thorough system of public education. Overall increases in the reserve funds indicate the State's steady emergence from the effects of the recent recession. Note 13 contains additional detailed information regarding reserve funds.

Economy

The nation's weak economic recovery continues to be felt in Idaho. While Idaho's economy is expected to grow over the next three years, the recovery will be modest. Optimism has been tempered by the potential "fiscal cliff" threatening to pull the nation back into a recession. The possibility remains that certain federal tax cuts and incentives set to expire at year's end may not be renewed. Additionally, the financial turmoil affecting European countries continues to impact the U.S. economy.

Barring a major fiscal relapse, economists believe Idaho employment and income will grow faster than the national average through 2015. Idaho nonfarm employment is forecast to grow an average of 2.5 percent over the next three years while national employment growth is predicted to average about 1.5 percent. In addition, by 2015 the State is expected to gain back virtually all of the jobs it lost since 2007, although state and local government employment is expected to increase less than half a percent in the next three years. Current nonfarm employment of 614,767 is expected to grow to 662,100 jobs by 2015.

Idaho's population is predicted to grow about 1.8 percent each year for the next three years, from 1,618,800 in 2012 to 1,704,700 in 2015. The growth is a result of an increased birth rate and net migration. Although housing starts are forecast to rise an average 24.1 percent per year over the next three years, the total starts are still below 2007 levels of 14,366. The large percentage of growth is due to the low base level of 6,421 starts in 2012.

With a rise in the U.S. Gross Domestic Product, economists predict Idaho will also see a rise in per capita income from \$33,573 in 2012 to \$36,693 in 2015. Although per capita income will increase over the next three years so will government payments to qualifying recipients, indicating an economy still in recovery. Income increases will be offset by rising prices. The rate of inflation is expected to grow on average by 1.9 percent per year from 2012 to 2015, primarily due to increased energy and food prices.

Long-Term Financial Planning

A notable impact to fiscal year 2013 revenue forecasts includes new legislation reducing the highest individual and corporate income tax rates from 7.8 percent and 7.6 percent, respectively, to 7.4 percent. The estimated effective revenue growth was lowered from 4.5 percent (\$114.9 million) to 3 percent (\$76.4 million). Revenue forecasts for fiscal year 2013 predict increases in individual income, corporate income, and sales taxes of 3 percent, 1.7 percent, and 6.2 percent, respectively. Anticipated tax revenue for fiscal year 2013 includes \$1.2 billion of individual income, \$190.1 million of corporate income, and \$1.1 billion of sales tax.

In order to improve and maintain the State's system of roads and highways, the Legislature in 2006 authorized the Idaho Transportation Board to issue Grant Anticipation Revenue Vehicle (GARVEE) bonds. The GARVEE program allows the planning, designing, and building of more highway projects in less time than traditional funding methods. To date, \$622.7 million have been drawn from \$840.0 million in issued bonds. Improvements to six major transportation corridors have been initiated.

Major Initiatives

- The Department of Health and Welfare received an appropriation of \$2.4 billion in fiscal year 2013, an increase of 5.7 percent from the previous year. Portions of the increase are attributed to an \$18.6 million carryover from fiscal year 2012 to fiscal year 2013 and an increase in spending in the Medicaid program. Medicaid spending represents 80.9 percent of the Department's total appropriation. Federal

funding provided 63.7 percent of the Department's total appropriation. With the increased appropriation, some previously discontinued services, such as preventative dental services and skill training for individuals with mental health and developmental disabilities, were restored.

- The Public Schools' appropriation is \$1.6 billion for fiscal year 2013, a decrease of \$4.7 million from the previous year. Federal funding decreased by \$59.3 million, while the state appropriation from the General Fund increased \$56.2 million. Teachers' base salaries increased 2 percent and the Legislature, for the second consecutive year, levied a requirement to raise the minimum teacher salary to \$30,500.
- The colleges and universities received an appropriation of \$446.4 million for fiscal year 2013. They received an 8.6 percent General Fund increase from the previous year. The additional funding includes a 2 percent employee compensation increase and \$3.1 million in benefit cost increases.
- A total appropriation of \$191.3 million for the Department of Correction in fiscal year 2013 is an overall increase of 3.7 percent from the prior year. This increase will cover inmate population growth and contractual inflationary adjustments.

MANAGEMENT CONTINUITY

On May 25, 2012, State Controller Donna Jones was severely injured in an automobile accident and subsequently required three months of hospitalization. During this period, state law and the State Controller's business continuity plan vested day-to-day management authority over the office to the organization's Chief Deputy Controller, Brandon D Woolf.

As a result of Controller Jones' lengthy hospitalization and extensive rehabilitation, Governor C.L. "Butch" Otter appointed Mr. Woolf as Temporary Acting State Controller on July 3, 2012. Upon Controller Jones' retirement on October 15, 2012, Governor Otter appointed Mr. Woolf as State Controller to serve out the remainder of Ms. Jones' term, which ends in January 2015.

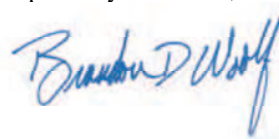
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its CAFR for the fiscal year ended June 30, 2011. This is the 15th consecutive year the State has achieved this prestigious award. To be awarded a Certificate of Achievement, the report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate. The State Controller's Office is committed to this ongoing effort and intends to maintain a highly qualified and professional staff to make Idaho's certification possible.

The Public Employee Retirement System of Idaho (PERSI) has prepared a CAFR for the System for the last 21 years. The PERSI also received GFOA's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2011.

The State Controller's Office takes great pride in the preparation of this comprehensive report. I am pleased to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff of the Legislative Services Office must be recognized for their independence, dedication, and professionalism. Credit must also be given to Governor Otter and other state leaders for their dedication towards the management of Idaho's finances.

Respectfully submitted,



Brandon D Woolf
Idaho State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moirrell

President

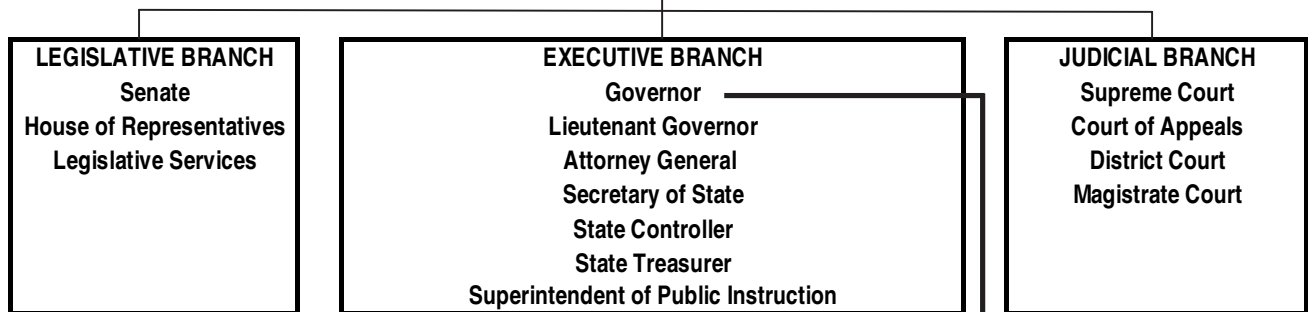
Jeffrey R. Emer

Executive Director



2012 Organization Chart Idaho State Government

Citizens of Idaho



State Agencies, Boards, Commissions, and Divisions by Function

General Government	Education	Natural Resources	Economic Development
Board of Tax Appeals Commissions: Aging Arts Blind and Visually Impaired Idaho Code Tax Uniform Laws Department of Administration Divisions of: Financial Management Human Resources Liquor Military Offices of: Drug Policy Species Conservation Public Employee Retirement System State Bar State Building Authority	Boise State University Division of Professional-Technical Education Eastern Idaho Technical College Idaho State University Lewis-Clark State College Public Broadcasting State Board of Education University of Idaho Vocational Rehabilitation	Departments of: Environmental Quality Fish and Game Lands Parks and Recreation Water Resources Endowment Fund Investment Board Office of Energy Resources Lava Hot Springs Foundation	Appellate Public Defender Boards of: Accountancy Dentistry Engineers and Surveyors Examiners Medicine Nursing Outfitters and Guides Pharmacy Veterinary Medicine Bureau of Occupational Licenses Commissions: Dairy Products Hispanic Affairs Industrial Libraries Potato Public Utilities Real Estate Soil and Water Conservation Wheat Departments of: Agriculture Commerce Finance Insurance Labor Transportation Divisions of: Building Safety Veterans Services Idaho State Lottery State Historical Society
	Public Safety Brand Inspector Commissions: Pardons and Parole Racing Correctional Industries Departments of: Correction Juvenile Corrections Idaho State Police	Health and Human Services Catastrophic Health Care Department of Health and Welfare	

Elected Officials of the State of Idaho



C.L. "Butch" Otter
Governor



Ben Ysursa
Secretary of State



Donna M. Jones
State Controller



Brad Little
Lieutenant Governor



Ron G. Crane
State Treasurer



Lawrence G. Wasden
Attorney General



Tom Luna
*Superintendent of
Public Instruction*



Lawrence E. Denney
*Speaker,
Idaho House of
Representatives*



Roger S. Burdick
*Chief Justice,
Idaho Supreme Court*



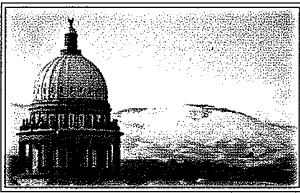
Brent Hill
*President
Pro Tempore,
Idaho State Senate*



Financial Section



Horseback Riding
Custer County



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

December 20, 2012

Independent Auditor's Report

Honorable C.L. "Butch" Otter, Governor
Honorable Members of the Legislature
Honorable Brandon D. Woolf, State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2012, that collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, University of Idaho and their respective component units, nor the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, Public Employees' Deferred Compensation Plan, Idaho Judges' Retirement Fund, IDEal Idaho College Savings Program, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Petroleum Clean Water Trust Fund, Idaho Building Authority, Bond Bank Authority, and the Idaho Housing and Finance Association. Those financial statements represent total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

<u>Government-Wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government - Governmental Activities	15.8%	1.5%
Primary Government - Business-Type Activities	61.2%	55.0%
Aggregate Discretely Presented Component Units	100.0%	100.0%
<u>Fund Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Governmental Funds Land Endowments – Major Fund	99.9%	100.0%
Proprietary Funds		
College and Universities - Major Fund	100.0%	100.0%
Aggregate Remaining Fund Information	81.7%	17.3%

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those agencies and component units, are based on the reports of the other auditors.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

April Renfro, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The financial statements of the Idaho Housing and Finance Association, Lewis-Clark State College, Boise State University, Idaho State University, University of Idaho, Eastern Idaho Technical College Foundation, Lewis-Clark State College Foundation, Boise State University Foundation, Idaho State University Foundation, and the Public Employees' Deferred Compensation Plan were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 12, and the required supplementary information on pages 104 through 109, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the combining and individual fund financial statements and schedules, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,

A handwritten signature in dark ink, reading "April Renfro". The signature is written in a cursive, flowing style.

April Renfro, CPA, Manager
Legislative Audits Division

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State's annual financial report presents our discussion and analysis of the State's financial performance during the fiscal year that ended June 30, 2012. Please read it in conjunction with the transmittal letter, which can be found on page vi of the Introductory Section and the financial statements which begin on page 13.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

Idaho reported net assets of \$9.8 billion for the fiscal year ended June 30, 2012, comprised of \$13.0 billion in total assets offset by \$3.2 billion in total liabilities. Of this amount, \$783.3 million in unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors.

The State's total net assets increased by \$465.1 million as a result of this year's operations. Net assets of governmental activities increased \$236.5 million, while net assets of business-type activities increased \$228.6 million.

The total cost of all the State's programs was \$7.6 billion, which includes \$1.6 billion in business-type activities.

Fund Highlights

At the close of the fiscal year the State's governmental funds reported combined ending fund balances of \$2.6 billion, an increase of \$149.1 million in comparison with the prior year. Approximately \$1.1 billion of the ending fund balance cannot be spent because it is not in spendable form or because of legal or contractual requirements. Another \$1.2 billion of the ending fund balance is restricted, committed, or assigned for a specific purpose and may be spent upon legislative approval. About \$251.0 million of the ending fund balance is the General Fund's unassigned fund balance and may be spent at the State's discretion, with legislative approval.

Long-Term Debt

The State's long-term debt increased \$4.9 million from the prior year to \$1,425.1 million, comprised of \$760.9 million in governmental activities and \$664.2 million in business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which include the

following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this financial report includes required supplementary information and other supplementary information.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which provide information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resources measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Assets* reports all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

Governmental activities encompass most of the State's basic services such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Taxes and federal grants are the major funding sources for most of these activities.

Business-type activities account for operations that function in a manner similar to a private business, where all or a significant portion of costs are recovered through

user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, and loans to cities and counties to make improvements to wastewater and drinking water systems.

Discretely presented component units are organizations legally separate yet financially accountable to the State. Discretely presented component units include the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, and the Idaho Bond Bank Authority.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

Governmental funds account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the fund financial statements focus on near-term inflows and outflows of resources, as well as on balances available at the end of the fiscal year that are available for future spending. Such information may be useful in evaluating the State's near-term financial position. This approach is known as using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, permanent funds, and capital projects funds.

Two schedules in the governmental fund financial statements reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). Comparing the information presented for governmental funds with similar information presented in the government-wide financial statements may provide a better understanding of the long-term impact of the State's near-term financing decisions.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Proprietary funds include enterprise and internal service

funds. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services to other funds or departments of the primary government. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

Fiduciary funds account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

Notes to the Financial Statements

The notes to the financial statements beginning on page 38 provide additional information that is essential to an understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further supports the information in the financial statements. The Required Supplementary Information section begins on page 103 and includes the following:

- Budgetary comparison schedules and note disclosure that show how the General, Health and Welfare, and Transportation funds presented in the governmental fund financial statements reconcile to the legally adopted budget
- Condition and maintenance data regarding the State's infrastructure reported using the modified approach
- Schedules of funding progress and actuarial information related to the State's obligation to provide pension and postemployment benefits to certain employees

Other Supplementary Information

Combining financial statements, starting on page 110, are presented to provide more detail for nonmajor special revenue, capital projects, proprietary, and fiduciary funds. The total columns of these combining financial statements agree with the applicable combined fund financial statement.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

Net Assets

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceeded liabilities by \$9.8 billion for the most recent

fiscal year. The State's combined net assets increased \$465.1 million over the course of this fiscal year's operations. Net assets of governmental activities increased \$236.5 million and business-type activities net assets increased \$228.6 million.

Net Assets
June 30, 2012 and 2011
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011*	2012	2011	2012	2011*
Assets						
Current and Other Assets	\$4,196,789	\$3,866,395	\$1,613,943	\$1,463,473	\$5,810,732	\$5,329,868
Capital Assets	6,040,195	5,914,351	1,160,195	1,115,627	7,200,390	7,029,978
Total Assets	10,236,984	9,780,746	2,774,138	2,579,100	13,011,122	12,359,846
Liabilities						
Other Liabilities	1,227,243	1,024,927	219,307	246,951	1,446,550	1,271,878
Long-Term Liabilities	1,055,600	1,038,167	702,968	708,876	1,758,568	1,747,043
Total Liabilities	2,282,843	2,063,094	922,275	955,827	3,205,118	3,018,921
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	5,287,342	5,184,901	698,601	659,216	5,985,943	5,844,117
Restricted	2,135,262	2,086,840	901,460	769,693	3,036,722	2,856,533
Unrestricted	531,537	445,911	251,802	194,364	783,339	640,275
Total Net Assets	\$7,954,141	\$7,717,652	\$1,851,863	\$1,623,273	\$9,806,004	\$9,340,925

*Amounts in these columns have been restated. More detailed information regarding net assets can be found in Note 13.

The largest component of the State's net assets, 61 percent (\$6.0 billion), reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, equipment, software, and capital assets in progress), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens. These assets are not available for future spending.

Restricted net assets are the next largest component, comprising 31 percent (\$3.0 billion). These resources are not available for general use due to restrictions placed on them by external parties such as creditors,

grantors, or contributors; or by state law through constitutional provisions or enabling legislation.

The remaining 8 percent (\$0.8 billion) of net assets represents unrestricted net assets, which may be used at the State's discretion but often have limitations on use based on state statutes.

At the end of the current fiscal year, the State reported positive balances in all three categories of net assets for the State as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

Over time, increases or decreases in the State's net assets are an indicator of whether its financial health is improving or deteriorating. The following condensed financial information was derived from the current and prior year government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

Change in Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent Change
	2012	2011*	2012	2011	2012	2011*	
Revenues							
Program Revenues							
Charges for Services	641,619	\$654,408	\$1,139,971	\$1,051,527	\$1,781,590	\$1,705,935	4.4
Operating Grants and Contributions	2,664,743	3,160,919	485,777	606,597	3,150,520	3,767,516	(16.4)
Capital Grants and Contributions	2,568	6,058	24,944	27,861	27,512	33,919	(18.9)
General Revenues							
Sales Tax	1,213,623	1,165,095			1,213,623	1,165,095	4.2
Individual and Corporate Taxes	1,390,226	1,296,558			1,390,226	1,296,558	7.2
Other Taxes	457,006	458,807			457,006	458,807	(0.4)
Other	38,468	43,092			38,468	43,092	(10.7)
Total Revenues	6,408,253	6,784,937	1,650,692	1,685,985	8,058,945	8,470,922	(4.9)
Expenses							
General Government	413,832	453,141			413,832	453,141	(8.7)
Public Safety and Correction	335,493	296,034			335,493	296,034	13.3
Health and Human Services	2,396,437	2,577,700			2,396,437	2,577,700	(7.0)
Education	1,712,567	1,777,026			1,712,567	1,777,026	(3.6)
Economic Development	820,530	688,431			820,530	688,431	19.2
Natural Resources	264,080	241,203			264,080	241,203	9.5
Interest Expense	50,372	50,773			50,372	50,773	(0.8)
College and University			969,419	923,760	969,419	923,760	4.9
Unemployment Compensation			358,283	482,087	358,283	482,087	(25.7)
Loan			7,112	14,571	7,112	14,571	(51.2)
State Lottery			134,055	112,003	134,055	112,003	19.7
State Liquor			123,656	117,039	123,656	117,039	5.7
Correctional Industries			8,030	6,727	8,030	6,727	19.4
Total Expenses	5,993,311	6,084,308	1,600,555	1,656,187	7,593,866	7,740,495	(1.9)
Increase (Decrease) in Net							
Assets before Transfers	414,942	700,629	50,137	29,798	465,079	730,427	(36.3)
Transfers	(178,453)	(184,569)	178,453	184,569	0	0	
Change in Net Assets	236,489	516,060	228,590	214,367	465,079	730,427	(36.3)
Net Assets, Beginning							
of Year, as Restated	7,717,652	7,201,592	1,623,273	1,408,906	9,340,925	8,610,498	8.5
Net Assets, End of Year	\$7,954,141	\$7,717,652	\$1,851,863	\$1,623,273	\$9,806,004	\$9,340,925	5.0

*Amounts in these columns have been restated.

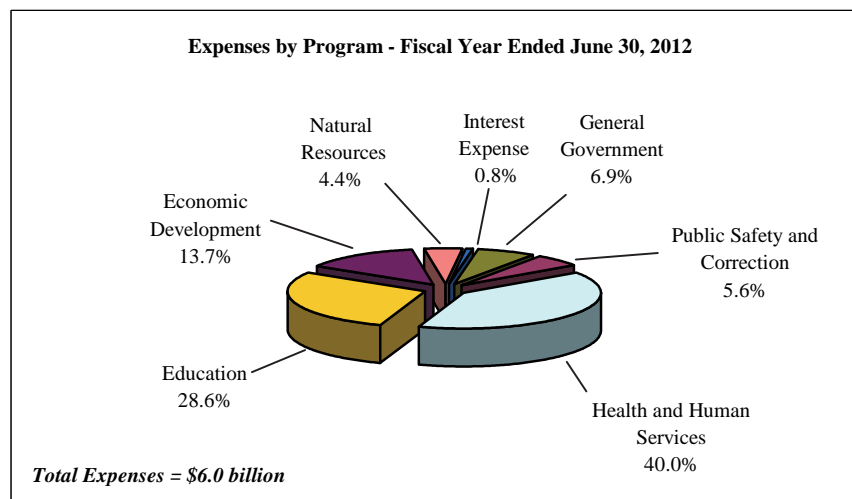
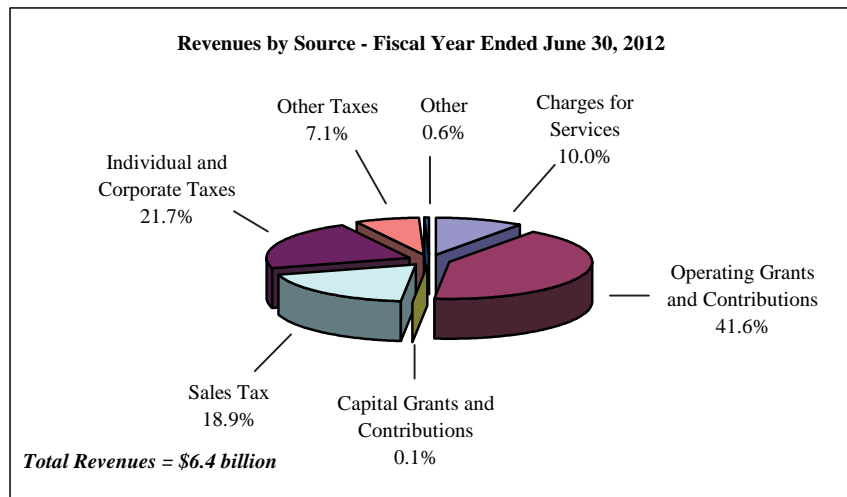
The Total Percent Change column shows the percentage change in operation from fiscal year 2011 to 2012 for each line item. Readers should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change (e.g., (51.2) percent for the Loan fund of (\$7.5) million), it may not have as significant of an effect on the overall change in net assets as a change in a more material line item with a smaller percentage change (e.g., (7.0) percent for Health and Human Services of (\$181.3) million).

Governmental Activities

The overall financial position for Governmental Activities improved during the fiscal year, as evidenced by the 3.1 percent (\$236.5 million) increase in net assets. The key elements of this increase include an increase of 7.2 percent (\$93.7 million) in individual and corporate tax revenue and an increase of 4.2 percent (\$48.5 million) in sales tax revenue. In addition, expenditures decreased for health and human services by 7 percent (\$181.3 million) from the prior year due to a reduction in medical assistance payments for Medicaid and rehabilitation services, and expenditures decreased in

education by 3.6 percent (\$64.5 million) due to a reduction in the public school distribution for fiscal year 2012. These decreases in expenditures were a result of the decline in operating grants and contribution revenue of 15.7 percent (\$496.2 million) due to the reduction of federal stimulus money from the American Recovery and Reinvestment Act of 2009. Expenditures for economic development increased 19.2 percent (\$132.1 million) from the prior year primarily due to fewer infrastructure projects being capitalized as construction in progress and were instead expensed for maintenance and repair.

The following charts depict revenues and expenses of the governmental activities:



Business-Type Activities

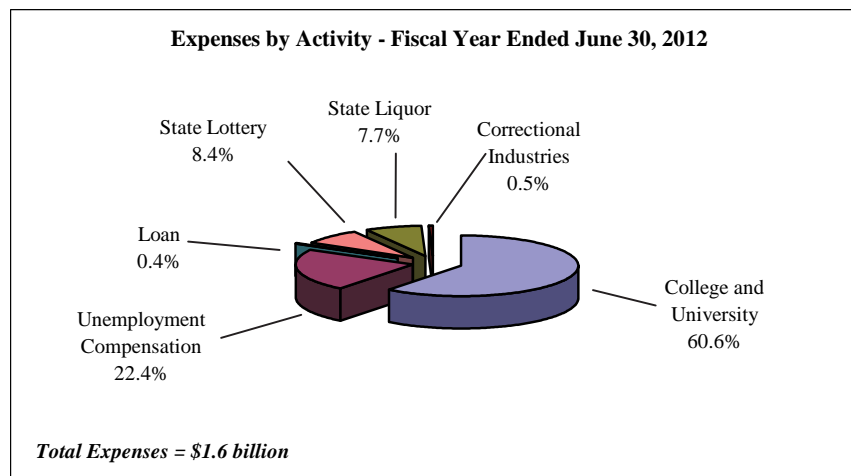
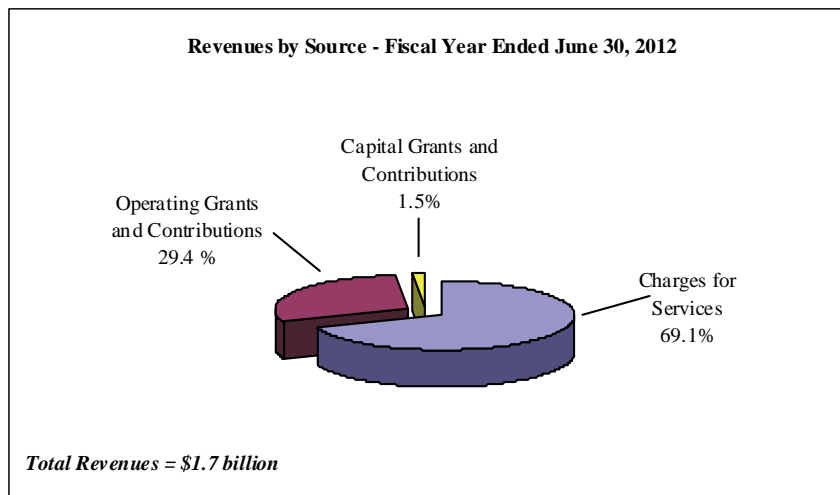
Business-type activities' net assets increased by 14.1 percent (\$228.6 million) during the fiscal year. The largest changes were seen in the following funds:

- College and University fund net assets increased by 4.4 percent (\$43.7 million) from the prior year balance of \$987.5 million primarily due to an increase of \$23.6 million in student tuition and fees. Expenses increased during the year for personnel (\$16.3 million) and services and supplies (\$16.2 million).
- The Unemployment Compensation fund net assets increased by 119.4 percent (\$156.0 million), from the previous year's balance of \$130.7 million. The increase was due mainly to a reduction in

unemployment benefit payments of \$128.3 million. As the jobless rate continued falling in 2012 so did benefit payments. The reduction in benefit payments also reduced federal employment security revenue by \$99.3 million.

- Loan fund net assets increased by 6.7 percent (\$29.6 million) from the prior year balance of \$441.4 million in part by a decrease of \$8.4 million in expenses for subgrants and loans to municipalities to make improvements to wastewater and drinking water systems. These grant expenses were offset by a decrease of \$31.1 million in federal grant revenues used to provide loans to municipalities for improvements to wastewater and drinking water systems.

The following charts depict revenues and expenses of the business-type activities:



FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

At the close of the fiscal year, the State's governmental funds reported combined ending fund balances of \$2.6 billion, an increase of \$149.1 million in comparison with fiscal year 2011. The governmental fund balance is classified as follows:

- *Nonspendable* either due to its form or legal constraints such as permanent trusts: \$1.1 billion (43.3 percent)
- *Restricted* for a specific purpose either by creditors, grantors, constitutional provisions, or enabling legislation: \$919.8 million (34.8 percent)
- *Committed* for specific purposes by the Legislature or for satisfying contractual requirements: \$270.2 million (10.2 percent)
- *Assigned* for a specific purpose as that intent is expressed by the Legislature or a governing body or official to whom the Legislature has delegated the authority: \$59.5 million (2.2 percent)
- *Unassigned* is the General Fund balance that has not been designated for another fund and that has not been restricted, committed, or assigned to a specific purpose within the General Fund. The General Fund reported a \$251.0 million (9.5 percent) unassigned fund balance.

The General Fund is the chief operating fund of the State. During the fiscal year fund balance increased 3.2 percent (\$21.4 million) primarily due to increases in individual and corporate income tax of \$100.4 million, increased sales tax revenue of \$51.0 million, and a reduction in education expenditures of \$68.8 million primarily due to the loss of federal American Recovery and Reinvestment Act revenue and one-time dedicated endowment funds that were available in fiscal year 2011. Transfers of cash to other funds increased primarily due to an increase to the Health and Welfare fund for medical assistance services of \$137.9 million. In addition, investment income decreased by \$22.5 million from the prior year due to decreases in the fair market value of investments.

The Health and Welfare fund balance increased by \$73.4 million during the fiscal year primarily as a result of increased transfers in of \$137.9 million from the General Fund for medical assistance services and a decrease of \$78.9 million in medical assistance payments, mainly related to Medicaid and rehabilitation services. This decrease in payments was offset by a decrease from federal grant revenue from stimulus dollars of \$85.8 million.

The Transportation fund balance increased 9.2 percent (\$19.8 million) during the fiscal year primarily as a result of a decrease in capital outlay expenditures of \$55.2 million and a decrease in infrastructure supplies expenditures of \$15.9 million. These decreases were offset by decreases of \$71.9 million in federal grants from federal stimulus dollars for highway improvements.

The Land Endowments fund balance increased by \$13.2 million from the prior year due to decreases in distributions to beneficiaries, mainly due to a one-time special distribution of \$22.0 million from the Public School Endowment fund in fiscal year 2011. Income revenue from investments increased 5.9 percent (\$1.6 million), which is attributable to higher dividend rates, partly offset by lower interest rates. The fair market value of investments decreased from the previous year by \$243.2 million due to declines in stock prices.

The Nonmajor Governmental fund balance increased by \$21.4 million during the fiscal year, mainly due to decreased expenditures of \$12.7 million for education and \$52.3 million in capital outlay, primarily for highway infrastructure. These decreases compensated for decreased federal stimulus funding of \$35.1 million during the year. Sale of goods and services revenue decreased \$22.1 million primarily due to the Idaho State Building Authority completing the Idaho State Capitol restoration with cost savings which were applied to annual rents.

Proprietary Funds

Proprietary funds provide the same type of information found in the Business-Type Activities columns of the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

The State does not adopt a revenue budget; therefore, the Budgetary Comparison Schedule reflects budgeted revenues as being equal to actual revenues. General Fund receipts for fiscal year were \$35.0 million more than forecasted. The difference between forecasted and actual revenues collected was due primarily to higher than predicted collections of miscellaneous revenue of \$24.1 million (24.2 percent), sales tax revenue of \$13.9 million (1.4 percent), and corporate income tax revenue of \$10.3 million (5.8 percent). In addition, the State received \$13.3 million when Idaho joined the state-federal mortgage foreclosure settlement. The cash balance carried over into fiscal year 2013 was \$96.6 million. Of this total, \$69.9 million was the cash

balance from the end of fiscal year 2011 carried over into fiscal year 2012 and \$26.7 million cash surplus generated in fiscal year 2012. Overall, General Fund receipts were \$137.6 million more in fiscal year 2012 than in fiscal year 2011.

The original expenditures budget amount on the Budgetary Comparison Schedule represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount

includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, activity transfers, and receipts to the appropriation. The variance between the final budget and actual spending was a favorable \$157.2 million (5.5 percent). The natural resources function within the General Fund reported a negative variance of \$3.5 million stemming from fire suppression deficiency warrants. This deficit is allowed by statute and will be funded with future appropriations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012 the State had \$7.2 billion (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table below.

Depreciation expense for this fiscal year totaled \$148.3 million.

Capital Assets as of June 30, 2012 and 2011

(Net of depreciation, dollars in thousands)

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2012	2011*	2012	2011	2012	2011*
Land and Land Use Rights	\$1,073,299	\$1,044,025	\$105,640	\$102,082	\$1,178,939	\$1,146,107
Capital Assets in Progress	967,878	951,559	82,512	71,962	1,050,390	1,023,521
Infrastructure--not Depreciated	2,397,546	2,382,940	2,274	2,219	2,399,820	2,385,159
Historical Art and Collections	122	122			122	122
Buildings and Improvements	609,683	620,525	834,250	810,839	1,443,933	1,431,364
Improvements Other Than Buildings	64,787	62,591	35,258	30,582	100,045	93,173
Machinery, Equipment, and Other	253,693	171,954	100,261	97,943	353,954	269,897
Infrastructure--Depreciated	673,187	680,635			673,187	680,635
Total	\$6,040,195	\$5,914,351	\$1,160,195	\$1,115,627	\$7,200,390	\$7,029,978

*These columns have been restated. More detailed information can be found in Note 6.

This year's major capital asset additions include \$164.8 million spent for infrastructure assets, which includes capital assets in progress (\$112.6 million), roadways (\$15.3 million), rights-of-way (\$30.7 million), and bridges (\$6.2 million); and \$90.4 million spent for health and welfare software development and implementation.

The State uses the traditional method of depreciation for its 1,771 bridges and 37 rest areas or ports of entry. The State adopted the modified approach for reporting roads. Under this alternative method certain maintenance and preservation costs are expensed, and depreciation expense is not reported. Approximately 12,222 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The roadway surface condition is determined using three pavement condition data elements: international roughness index, rutting depth,

and pavement distress (cracking). Roadway surface is categorized as good, fair, poor, or very poor. The State's established condition level is to have no more than 30 percent of pavement in poor or very poor condition. The latest condition assessment rating showed that the State had 13 percent of its road surfaces in poor or very poor condition, an improvement from the 16 percent condition assessment in calendar year 2010. During fiscal year 2012 the State spent \$161.3 million to maintain Idaho's road surfaces. This amount is 46.5 percent (\$51.2 million) more than the estimated amount of \$110.1 million to maintain Idaho's road surfaces. Actual costs were more than estimated costs due to a new transportation asset management system, timing of construction payouts, and new project delivery methods. More detailed information about the State's capital assets is presented in Notes 1 and 6 to the financial statements and in the Required Supplementary Information.

Long-Term Debt

Article VIII, Section 1, of the Idaho Constitution, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law, and which have no power to levy taxes or obligate the General Fund of the State, are not debts or liabilities of the State.

Idaho Code, Title 40, addresses the increasing need for timely improvements to Idaho's highway infrastructure. The Idaho Transportation Board, with the approval of the Legislature, can approve debt financing for transportation infrastructure projects utilizing future federal-aid highway revenues. Opinions have been received from the Office of the Attorney General, based on the Idaho Supreme Court decision in *Ada County v. Wright*, to the effect that this procedure does not create a liability of the State in violation of the Idaho Constitution.

New debt resulted mainly from the Idaho Transportation Department issuing \$64.9 million in notes payable for highway projects and Boise State University issuing \$33.3 million to construct a football office and training facility. The Unemployment Compensation fund and Idaho State Building Authority issued notes and revenue bonds of \$187.6 million and \$81.3 million, respectively, to refund outstanding notes and bonds.

Moody's Investors Service has assigned the State of Idaho an issuer rating of Aa1 with a stable outlook. Idaho currently has no general obligation debt outstanding. The State's Tax Anticipation Notes, which carry the faith and credit pledge of the State, are rated MIG 1. The rating for the appropriation-backed lease rental debt issued by the Idaho State Building Authority is rated Aa2, with a stable outlook. More detailed information about the State's long-term debt is presented in Notes 1 and 12 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

Idaho's unemployment rate dropped dramatically in the past year from a post-recession high of 8.9 percent in July 2011 to 7.4 percent in August 2012. The national unemployment rate in August was 8.1 percent. However, Idaho has only regained 10,000 of the 59,000 jobs it lost during the worst recession since World War II. The State's declining labor force played a role in driving

Idaho's jobless rate lower. Total state employment in August was 719,400.

The American Recovery and Reinvestment Act of 2009 set goals to create new jobs as well as save existing ones and to spur economic activity and investment in long-term economic growth. At June 30, 2012, of the total \$772.6 million in recovery funds awarded to Idaho, \$25.6 million was still available for future spending, (\$14.9 million for economic development, \$6.7 million for education, \$2.8 million for natural resources, \$0.9 million for health and human resources, \$0.2 million for public safety, and \$0.1 million for general government). Idaho information related to the American Recovery and Reinvestment Act of 2009 can be obtained at <http://accountability.idaho.gov>.

The Idaho Legislature faced a more positive economic scenario than that experienced over the last three years. Idaho's economic forecast called for modest growth in revenues. Although viewed cautiously by a Legislature that has been sorely tested over the last few years to balance a budget, this welcome change in economic outlook set the stage for a budget process that was able to keep intact all of the State's current year spending obligations as well as cover the major inflation factors for fiscal year 2013 including Medicaid costs and caseload, indigent health care, educational enrollment growth, and inmate growth.

The overall General Fund budget for fiscal year 2013 is \$2.7 billion (6.8 percent increase). Public schools received a General Fund appropriation of \$1.3 billion (4.6 percent increase); colleges and universities received \$228.0 million (8.6 percent increase); Medicaid received \$474.2 million (8.7 percent increase); and corrections received \$168.8 million (7.3 percent increase). The Legislature approved a 2 percent salary increase for state employees, judges, and higher education. A tax relief package of \$35.7 million was passed which will reduce the rates of corporate and individual income taxes, and the State's cash reserves were restored by about \$49.5 million during fiscal years 2012 and 2013.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, the Legislature, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150, or cafr@sco.idaho.gov.

Basic Financial Statements



BASE Jumping
Twin Falls County

Statement of Net Assets

June 30, 2012

(dollars in thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$8,319	\$322,857	\$331,176
Pooled Cash and Investments	1,103,081	117,564	1,220,645
Investments	1,509,727	289,342	1,799,069
Securities Lending Collateral	477,515	72,058	549,573
Accounts Receivable, Net	90,602	205,998	296,600
Taxes Receivable, Net	292,597		292,597
Internal Balances	14,945	(14,945)	
Due from Other Entities	296,130	140	296,270
Inventories and Prepaid Items	59,684	25,221	84,905
Due from Primary Government			
Due from Component Unit		78,535	78,535
Loans, Notes, and Pledges Receivable, Net	8,179	358,975	367,154
Deferred Outflows	9,282		9,282
Other Assets	8,745	15,405	24,150
Restricted Assets:			
Cash and Cash Equivalents	153,827	73,513	227,340
Investments	164,156	69,280	233,436
Capital Assets:			
Nondepreciable	4,438,845	190,426	4,629,271
Depreciable, Net	1,601,350	969,769	2,571,119
Total Assets	\$10,236,984	\$2,774,138	\$13,011,122
LIABILITIES			
Accounts Payable	\$408,905	\$25,938	\$434,843
Payroll and Related Liabilities	40,900	44,604	85,504
Medicaid Payable	96,809		96,809
Due to Other Entities	69,221	7,045	76,266
Unearned Revenue	56,999	45,575	102,574
Amounts Held in Trust for Others	25,917	2,441	28,358
Due to Primary Government			
Due to Component Unit		577	577
Obligations Under Securities Lending	477,515	72,058	549,573
Deferred Inflows	9,282		9,282
Other Accrued Liabilities	41,695	21,069	62,764
Long-Term Liabilities:			
Due Within One Year	256,808	85,241	342,049
Due in More Than One Year	798,792	617,727	1,416,519
Total Liabilities	2,282,843	922,275	3,205,118
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,287,342	698,601	5,985,943
Restricted for:			
Claims and Judgments	28,212		28,212
Debt Service	5,193	553	5,746
Intergovernmental Revenue Sharing	19,121		19,121
Transportation	235,426		235,426
Regulatory	68,103		68,103
Natural Resources and Recreation	130,662	440,843	571,505
Unemployment Compensation		286,702	286,702
Permanent Trust - Expendable	191,670	45,426	237,096
Permanent Trust - Nonexpendable	1,236,842	74,859	1,311,701
Other Purposes	220,033	53,077	273,110
Unrestricted	531,537	251,802	783,339
Total Net Assets	7,954,141	1,851,863	9,806,004
Total Liabilities and Net Assets	\$10,236,984	\$2,774,138	\$13,011,122

The accompanying notes are an integral part of the financial statements.

Component	Units
	\$63,838
	798
	968,087
	22,524
	2,285
	754,912
	1,355,349
	116,976
	18,438
	20,248
	3,363
	5,442
	37,782
	<u>\$3,370,042</u>
	\$2,745
	453
	18,421
	33,138
	78,535
	115,848
	117,659
	283,670
	<u>2,140,144</u>
	<u>2,790,613</u>
	18,357
	145,448
	123,617
	211,642
	1,398
	78,967
	<u>579,429</u>
	<u>\$3,370,042</u>

Statement of Activities

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

		Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses			
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	\$413,832	\$97,411	\$62,272	\$33
Public Safety and Correction	335,493	33,502	17,386	32
Health and Human Services	2,396,437	70,603	1,711,129	
Education	1,712,567	14,150	300,714	253
Economic Development	820,530	266,320	452,860	1,959
Natural Resources	264,080	159,633	120,382	291
Interest Expense	50,372			
Total Governmental Activities	5,993,311	641,619	2,664,743	2,568
Business-Type Activities				
College and University	969,419	436,208	295,717	24,944
Unemployment Compensation	358,283	351,781	172,713	
Loan	7,112	16,035	17,347	
State Lottery	134,055	176,547		
State Liquor	123,656	150,941		
Correctional Industries	8,030	8,459		
Total Business-Type Activities	1,600,555	1,139,971	485,777	24,944
Total Primary Government	\$7,593,866	\$1,781,590	\$3,150,520	\$27,512
Component Units				
Idaho Housing and Finance Association	\$188,907	\$149,880	\$55,673	
College and University Foundation	60,954	1,977	56,894	
Petroleum Clean Water Trust	2,128	3,229		
Health Reinsurance	12,129	7,109	1,025	
Bond Bank Authority	11,645	11,691		
Total Component Units	\$275,763	\$173,886	\$113,592	
GENERAL REVENUES				
Sales Tax				
Individual and Corporate Taxes				
Fuel Tax				
Other Taxes				
Tobacco Settlement				
Unrestricted Investment Earnings				
Payments from State of Idaho				
Permanent Endowment Contributions				
Transfers				
Total General Revenues, Contributions, and Transfers				
Change in Net Assets				
Net Assets - Beginning of Year, as Restated				
Net Assets - End of Year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
(\$254,116)		(\$254,116)	
(284,573)		(284,573)	
(614,705)		(614,705)	
(1,397,450)		(1,397,450)	
(99,391)		(99,391)	
16,226		16,226	
(50,372)		(50,372)	
(2,684,381)		(2,684,381)	
	(\$212,550)	(212,550)	
	166,211	166,211	
	26,270	26,270	
	42,492	42,492	
	27,285	27,285	
	429	429	
	50,137	50,137	
(2,684,381)	50,137	(2,634,244)	
			\$16,646
			(2,083)
			1,101
			(3,995)
			46
			11,715
1,213,623		1,213,623	
1,390,226		1,390,226	
216,249		216,249	
240,757		240,757	
21,103		21,103	
17,365		17,365	
			3,995
			1,687
(178,453)	178,453		
2,920,870	178,453	3,099,323	5,682
236,489	228,590	465,079	17,397
7,717,652	1,623,273	9,340,925	562,032
\$7,954,141	\$1,851,863	\$9,806,004	\$579,429

Balance Sheet

Governmental Funds

June 30, 2012

(dollars in thousands)

	General	Health and Welfare	Transportation	Land Endowments
ASSETS				
Cash and Cash Equivalents	\$578		\$7	
Pooled Cash and Investments	681,177	\$45,667	97,305	\$1,181
Investments	13,582		117,199	1,276,032
Securities Lending Collateral	390,032	1,566	45,808	
Accounts Receivable, Net	17,091	30,798	2,720	24,458
Taxes Receivable, Net	275,391	134	14,350	
Interfund Receivables	12,332	9		
Due from Other Entities	5	204,221	26,826	
Inventories and Prepaid Items	8,787	3,656	26,285	6,520
Loans, Notes, and Pledges Receivable, Net	1,711		282	
Other Assets	93	18	531	4,083
Restricted Assets:				
Cash and Cash Equivalents	9,618	7,780	33,447	
Investments	142,740	4,007		
Total Assets	\$1,553,137	\$297,856	\$364,760	\$1,312,274
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$279,159	\$19,620	\$27,632	\$31,142
Payroll and Related Liabilities	14,028	8,292	5,147	
Medicaid Payable		96,809		
Interfund Payables	1,652	467	658	
Due to Other Entities	41,297		27,924	
Deferred Revenue	119,910	123,993	15,636	
Amounts Held in Trust for Others	18,735	4,224	176	
Obligations Under Securities Lending	390,032	1,566	45,808	
Other Accrued Liabilities	1,661	1,286	6,356	
Total Liabilities	866,474	256,257	129,337	31,142
Fund Balances				
Nonspendable:				
Permanent Trusts				1,082,942
Inventories and Prepaid Items	8,787	3,656	26,285	6,520
Noncurrent Receivables	50			
Restricted	184,434	37,892	206,969	191,670
Committed	185,098	51	2,169	
Assigned	57,271			
Unassigned	251,023			
Total Fund Balances	686,663	41,599	235,423	1,281,132
Total Liabilities and Fund Balances	\$1,553,137	\$297,856	\$364,760	\$1,312,274

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental	Total
\$7,734	\$8,319
239,944	1,065,274
67,302	1,474,115
26,191	463,597
15,502	90,569
2,722	292,597
2,356	14,697
65,078	296,130
11,990	57,238
6,091	8,084
1,017	5,742
74,770	125,615
17,409	164,156
\$538,106	\$4,066,133

\$50,881	\$408,434
12,789	40,256
	96,809
3,795	6,572
	69,221
39,254	298,793
2,782	25,917
26,191	463,597
2,045	11,348
137,737	1,420,947

2,942	1,085,884
11,990	57,238
1,411	1,461
298,884	919,849
82,904	270,222
2,238	59,509
	251,023
400,369	2,645,186
\$538,106	\$4,066,133



Reconciliation of the Governmental Funds Balance Sheet

To the Statement of Net Assets

June 30, 2012

(dollars in thousands)

Total Fund Balances - Governmental Funds

\$2,645,186

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:

Land	\$1,073,299	
Capital Assets in Progress	967,816	
Infrastructure	3,277,169	
Historical Art and Collections	72	
Buildings and Improvements	913,874	
Improvements Other Than Buildings	97,015	
Machinery, Equipment, and Other	516,730	
Accumulated Depreciation	(822,803)	
Total Capital Assets		6,023,172

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

6,829

Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and, therefore, is deferred in the funds.

255,319

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.

87,259

Bond issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets.

2,250

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:

Capital Leases Payable	(28,675)	
Compensated Absences Payable	(61,938)	
Bonds and Notes Payable	(728,858)	
Accrued Interest on Bonds	(30,194)	
Claims and Judgments	(178,173)	
Other Long-Term Liabilities	(38,036)	
Total Long-Term Liabilities		(1,065,874)

Net Assets - Governmental Activities

\$7,954,141

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	General	Health and Welfare	Transportation	Land Endowments
REVENUES				
Sales Tax	\$1,209,691			
Individual and Corporate Taxes	1,389,291			
Other Taxes	60,096	\$62,806	\$208,765	
Licenses, Permits, and Fees	21,018	20,964	126,702	
Sale of Goods and Services	26,957	66,151	7,209	\$65,551
Grants and Contributions	16,010	1,698,755	349,379	
Investment Income	14,173	461	6,169	12,889
Tobacco Settlement	24,922			
Other Income	56,458	1,190	3,669	8,743
Total Revenues	2,818,616	1,850,327	701,893	87,183
EXPENDITURES				
Current:				
General Government	108,025			
Public Safety and Correction	241,561	2,698		
Health and Human Services	37,356	2,292,492		
Education	1,403,893			
Economic Development	38,046		166,349	
Natural Resources	27,914			28,081
Capital Outlay	25,199	50,565	333,428	
Intergovernmental Revenue Sharing	199,769	43,437	132,863	
Debt Service:				
Principal Retirement	1,013		19,957	
Interest and Other Charges	12,210	3	26,908	
Total Expenditures	2,094,986	2,389,195	679,505	28,081
Revenues Over (Under) Expenditures	723,630	(538,868)	22,388	59,102
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Premium on Bonds Issued				
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets	357	1,519	13,051	525
Transfers In	161,952	610,871		
Transfers Out	(864,560)	(171)	(15,610)	(46,425)
Total Other Financing Sources (Uses)	(702,251)	612,219	(2,559)	(45,900)
Net Changes in Fund Balances	21,379	73,351	19,829	13,202
Fund Balances - Beginning of Year, as Restated	665,284	(31,752)	215,594	1,267,930
Fund Balances - End of Year	\$686,663	\$41,599	\$235,423	\$1,281,132

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental	Total
\$4,800	\$1,214,491
	1,389,291
125,053	456,720
142,144	310,828
32,570	198,438
574,426	2,638,570
17,572	51,264
	24,922
31,768	101,828
928,333	6,386,352

49,258	157,283
58,550	302,809
	2,329,848
283,191	1,687,084
187,847	392,242
159,359	215,354
92,330	501,522
77,730	453,799
26,984	47,954
11,683	50,804
946,932	6,138,699
(18,599)	247,653

146,219	146,219
7,219	7,219
(88,044)	(88,044)
1,419	16,871
42,218	815,041
(69,047)	(995,813)
39,984	(98,507)
21,385	149,146
378,984	2,496,040
\$400,369	\$2,645,186



**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances -- Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)**

Net Change in Fund Balances - Governmental Funds

\$149,146

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:

Capital Outlay	\$242,952	
Depreciation Expense	(85,884)	
		157,068

Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.

(27,422)

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

(19,717)

The issuance of long-term debt provides current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year the following debt was incurred:

Bonds and Notes	(146,219)	
Premium on Bonds Issued	(7,219)	
		(153,438)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:

Bond and Note Principal	44,253	
Bond Issue Costs	92	
Refunding Bond Payment	88,044	
Capital Leases	1,908	
		134,297

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Assets. In the current year these amounts consisted of:

Accrued Interest and Amortization	529	
Compensated Absences	(1,550)	
Claims and Judgments	2,600	
Other Long-Term Liabilities	(1,978)	
		(399)

Internal service funds are reported separately from governmental funds in the funds statements. In the government-wide statements, internal service funds are included with governmental activities.

(3,046)

Change in Net Assets - Governmental Activities\$236,489

Statement of Net Assets

Proprietary Funds

June 30, 2012

(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$91,263	\$228,048	\$634	\$2,912
Pooled Cash and Investments	81,858	949	17,992	16,765
Investments	53,359			
Securities Lending Collateral		45,685	26,373	
Accounts Receivable, Net	63,507	136,905	165	5,421
Interfund Receivables	2,953			214
Due from Other Entities			140	
Inventories and Prepaid Items	10,758			14,463
Due from Component Unit	3,676			
Loans, Notes, and Pledges Receivable, Net	3,662		11,845	
Other Current Assets	823		6,917	74
Total Current Assets	311,859	411,587	64,066	39,849
Noncurrent Assets				
Restricted Cash and Cash Equivalents	2,541		30,905	40,067
Investments	119,096	116,887		
Restricted Investments	1,804		67,476	
Due from Component Unit	74,859			
Loans, Notes, and Pledges Receivable, Net	21,564		321,904	
Other Noncurrent Assets	7,580			11
Capital Assets, Net	1,110,965		32,943	16,287
Total Noncurrent Assets	1,338,409	116,887	453,228	56,365
Total Assets	\$1,650,268	\$528,474	\$517,294	\$96,214
LIABILITIES				
Current Liabilities				
Accounts Payable	\$16,747			\$9,191
Payroll and Related Liabilities	43,842			762
Interfund Payables	7,025			4,840
Due to Other Entities				7,045
Unearned Revenue	29,199		\$16,376	
Amounts Held in Trust for Others	2,441			
Due to Component Unit	577			
Obligations Under Securities Lending		\$45,685	26,373	
Other Accrued Liabilities	8,441	8,517	206	3,905
Compensated Absences Payable	21,904			744
Bonds, Notes, and Capital Leases Payable	18,730	43,425	400	38
Policy Claim Liabilities				
Total Current Liabilities	148,906	97,627	43,355	26,525
Noncurrent Liabilities				
Bonds, Notes, and Capital Leases Payable	454,389	144,145	2,940	107
Policy Claim Liabilities				
Other Long-Term Obligations	15,782			364
Total Noncurrent Liabilities	470,171	144,145	2,940	471
Total Liabilities	619,077	241,772	46,295	26,996
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	652,857		29,603	16,141
Restricted for:				
Claims and Judgments				
Debt Service			553	
Unemployment Compensation		286,702		
Permanent Trust - Expendable	45,426			
Permanent Trust - Nonexpendable	74,859			
Other Purposes			440,843	53,077
Unrestricted	258,049			
Total Net Assets	1,031,191	286,702	470,999	69,218
Total Liabilities and Net Assets	\$1,650,268	\$528,474	\$517,294	\$96,214

The amount reported for total net assets on this statement differs from the amount reported for Business-Type Activities on the government-wide Statement of Net Assets because of a \$6,247 consolidation adjustment for internal service fund activities on the government-wide statement.

The accompanying notes are an integral part of the financial statements.

Governmental Activities	
Total	Internal Service Funds
\$322,857	
117,564	\$37,807
53,359	
72,058	13,918
205,998	33
3,167	617
140	
25,221	2,446
3,676	
15,507	
7,814	165
827,361	54,986
73,513	28,212
235,983	35,612
69,280	
74,859	
343,468	95
7,591	6
1,160,195	17,023
1,964,889	80,948
\$2,792,250	\$135,934
\$25,938	\$560
44,604	644
11,865	44
7,045	
45,575	13,436
2,441	
577	
72,058	13,918
21,069	153
22,648	837
62,593	284
	7,043
316,413	36,919
601,581	3,069
	8,407
16,146	280
617,727	11,756
934,140	48,675
698,601	13,675
	28,212
553	
286,702	
45,426	
74,859	
493,920	42,618
258,049	2,754
1,858,110	87,259
\$2,792,250	\$135,934

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
OPERATING REVENUES				
Assessments		\$345,718		
Licenses, Permits, and Fees	\$359,363		\$1,266	\$2
Scholarship Allowances	(64,744)			
Sale of Goods and Services	126,725		2,090	335,419
Grants and Contributions	158,126	157,881	17,347	
Other Income	11,256			231
Total Operating Revenues	590,726	503,599	20,703	335,652
OPERATING EXPENSES				
Personnel Costs	559,331			14,127
Services and Supplies	227,690		1,338	107,417
Benefits, Awards, and Premiums	81,841	348,300		108,862
Depreciation	58,509		208	1,526
Other Expenses	14,579		2	5,650
Total Operating Expenses	941,950	348,300	1,548	237,582
Operating Income (Loss)	(351,224)	155,299	19,155	98,070
NONOPERATING REVENUES (EXPENSES)				
Gifts and Grants	137,591	14,832		
Investment Income	59	6,063	12,302	295
Interest Expense	(20,728)	(9,983)	(238)	(3)
Intergovernmental Distributions			(5,326)	(28,145)
Gain (Loss) on Sale of Capital Assets	(494)			(10)
Other Nonoperating Revenues (Expenses)	3,549		377	(1)
Total Nonoperating Revenues (Expenses)	119,977	10,912	7,115	(27,864)
Income (Loss) Before Contributions and Transfers	(231,247)	166,211	26,270	70,206
Capital Contributions	24,944			
Transfers In	250,384		3,328	
Transfers Out	(364)	(10,172)		(64,723)
Change in Net Assets	43,717	156,039	29,598	5,483
Total Net Assets - Beginning of Year, as Restated	987,474	130,663	441,401	63,735
Total Net Assets - End of Year	\$1,031,191	\$286,702	\$470,999	\$69,218

The \$6,247 difference between the \$234,837 reported as Change in Net Assets on this statement and the \$228,590 Change in Net Assets reported as Business-Type Activity on the government-wide Statement of Activities is due to a consolidation adjustment for internal service fund activities on the government-wide statement.

Governmental Activities	
Total	Internal Service Funds
\$345,718	
360,631	
(64,744)	
464,234	\$207,212
333,354	2,602
11,487	470
1,450,680	210,284
573,458	12,333
336,445	20,675
539,003	209,780
60,243	2,194
20,231	2,030
1,529,380	247,012
(78,700)	(36,728)
152,423	
18,719	2,418
(30,952)	(544)
(33,471)	
(504)	6
3,925	483
110,140	2,363
31,440	(34,365)
24,944	
253,712	2,687
(75,259)	(368)
234,837	(32,046)
1,623,273	119,305
\$1,858,110	\$87,259

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Business-Type	
	College and University	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		\$340,459
Receipts from Customers	\$414,816	
Receipts for Interfund Services		
Receipts from Grants and Contributions	155,640	157,881
Payments to Suppliers	(232,654)	
Payments to Employees	(549,471)	
Payments for Interfund Services		
Payments for Benefits, Awards, and Claims	(78,412)	(352,718)
Other Receipts (Payments)	2,120	
Net Cash Provided (Used) by Operating Activities	(287,961)	145,622
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	135,627	14,832
Intergovernmental Distributions		
Transfers In	250,020	
Transfers Out		(10,172)
Proceeds from Bonds, Notes, and Loans	216,246	187,570
Repayment of Bonds, Notes, and Loans	(212,529)	(202,402)
Interest Payments		(8,804)
Net Cash Provided (Used) by Noncapital Financing Activities	389,364	(18,976)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	19,641	
Proceeds from Bonds and Notes	43,787	
Principal Payments	(38,529)	
Interest Payments	(19,960)	
Proceeds from Disposition of Capital Assets	29	
Acquisition and Construction of Capital Assets	(94,492)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(89,524)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	3,117	4,490
Purchase of Investments	(351,625)	
Redemption of Investments	300,967	
Other Investing Activities		
Net Cash Provided (Used) by Investing Activities	(47,541)	4,490
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	(35,662)	131,136
Beginning Cash, Cash Equivalents, and Pooled Cash	211,324	97,861
Ending Cash, Cash Equivalents, and Pooled Cash	\$175,662	\$228,997
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(\$351,224)	\$155,299
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	58,509	
Maintenance Costs Paid by Department of Public Works	3,532	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(2,208)	(9,341)
Inventories and Prepaid Items	1,198	
Notes Receivable	(64)	
Other Assets	(755)	
Accounts Payable/Interfund Payables	(3,106)	
Unearned Revenue		
Compensated Absences	457	
Policy Claim Liabilities		
Other Accrued Liabilities	5,700	(336)
Net Cash Provided (Used) by Operating Activities	(287,961)	\$145,622

Noncash Transactions (dollars in thousands):

Investments decreased in fair value by \$2,106 for colleges and universities and by \$1,094 for the Loan Fund. Investments increased in fair value by \$1,573 for Unemployment Compensation and by \$386 for internal service funds. Colleges and universities acquired assets of \$468 through capital leases, \$4,498 through donations, and through state transfers in the amount of \$1,618. The Loan fund forgave loans in the amount of \$5,326. Nonmajor enterprise funds recorded an interfund payable of \$3,175 due on July 1, 2012, acquired capital assets by capital lease for \$87, and disposed of capital assets at a loss of \$11. Internal service funds' Payments for Benefits, Awards, and Claims decreased \$5,176 due to a decrease in a prior period; acquired capital assets by capital lease for \$58; disposed of capital assets at a loss of \$1; and eliminated capital assets of \$594 in a prior period.

The accompanying notes are an integral part of the financial statements.

Activities--Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		\$340,459	
\$3,727	\$331,734	750,277	\$11,448
	3,304	3,304	193,073
17,347		330,868	2,602
(1,425)	(111,664)	(345,743)	(19,833)
	(14,047)	(563,518)	(12,089)
(18)	(410)	(428)	(2,980)
	(110,429)	(541,559)	(208,199)
(140)		1,980	
19,491	98,488	(24,360)	(35,978)
		150,459	
	(27,202)	(27,202)	
3,328		253,348	2,687
	(67,898)	(78,070)	(368)
		403,816	
		(414,931)	
		(8,804)	(352)
3,328	(95,100)	278,616	1,967
		19,641	
	70	43,857	
(380)	(45)	(38,954)	(321)
(220)	(3)	(20,183)	(180)
	1	30	7
(1)	(4,162)	(98,655)	(571)
(601)	(4,139)	(94,264)	(1,065)
9,923	295	17,825	2,027
(38,671)		(390,296)	(578)
17,311		318,278	3,405
(39)		(39)	(20)
(11,476)	295	(54,232)	4,834
10,742	(456)	105,760	(30,242)
38,789	60,200	408,174	96,261
\$49,531	\$59,744	\$513,934	\$66,019
\$19,155	\$98,070	(\$78,700)	(\$36,728)
208	1,526	60,243	2,194
		3,532	
1,068	(622)	(11,103)	104
	(342)	856	(690)
		(64)	
	(3,090)	(3,845)	(1)
(103)	3,049	(160)	645
(697)		(697)	(3,263)
	49	506	130
			1,581
(140)	(152)	5,072	50
\$19,491	\$98,488	(\$24,360)	(\$35,978)

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash and Cash Equivalents	\$1,133		\$293	\$9,068
Pooled Cash and Investments	2,777			20,003
Investments:				
Pooled Short Term	420,342	\$436,734	11,313	
Fixed Income Investments	3,018,933	967,912		263,285
Marketable Securities	6,732,730			
Mutual Funds and Private Equities	1,592,083		213,388	
Mortgages and Real Estate	1,017,829	73,270		
Other Investments	3,490		6,103	
Securities Lending Collateral		619,957		
Receivables:				
Investments Sold	673,448			
Contributions	4,081			
Interest and Dividends	39,600	3,124	1	
Interfund Receivables	1,575			
Other Receivables	136			
Other Assets	50,866			
Capital Assets, Net	2,915			
Total Assets	13,561,938	2,100,997	231,098	\$292,356
LIABILITIES				
Accounts Payable	495	2,278	144	
Interfund Payables	1,575			
Due to Other Entities				\$757
Amounts Held in Trust for Others				291,599
Obligations Under Securities Lending		619,957		
Investments Purchased	866,217		46	
Other Accrued Liabilities	10,048	616		
Total Liabilities	878,335	622,851	190	\$292,356
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	12,400,085			
Postemployment Healthcare Benefits	283,518			
External Investment Pool Participants		1,478,146		
Trust Beneficiaries			230,908	
Total Net Assets	\$12,683,603	\$1,478,146	\$230,908	

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust
ADDITIONS			
Contributions:			
Member	\$222,425		
Employer	310,081		
Transfers In from Other Plans	19,158		
Participant Deposits		\$3,073,823	\$35,059
Total Contributions	551,664	3,073,823	35,059
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(105,526)	(12,309)	434
Interest, Dividends, and Other	304,297	20,462	5,647
Securities Lending Income		1,673	
Less Investment Expense:			
Investment Activity Expense	(42,522)	(752)	
Securities Lending Interest Expense		(1,202)	
Net Investment Income	156,249	7,872	6,081
Miscellaneous Income	1,594		
Total Additions	709,507	3,081,695	41,140
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	690,862		
Transfers Out to Other Plans	14,943		
Administrative Expense	6,345		1,396
Earnings Distribution		6,101	
Participant Withdrawals	13,917	2,895,498	19,992
Total Deductions	726,067	2,901,599	21,388
Change in Net Assets Held in Trust for:			
Employee Pension Benefits	(25,118)		
Employee Postemployment Healthcare Benefits	8,346		
External Investment Pool Participants		180,096	
Trust Beneficiaries			19,752
Net Assets - Beginning of Year	12,700,375	1,298,050	211,156
Net Assets - End of Year	\$12,683,603	\$1,478,146	\$230,908

The accompanying notes are an integral part of the financial statements.

Statement of Net Assets

Component Units

June 30, 2012

(dollars in thousands)

	Component Units			
	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
ASSETS				
Cash and Cash Equivalents	\$47,805	\$14,552	\$213	\$1,268
Pooled Cash and Investments			680	
Investments	533,287	384,277	33,307	17,216
Accounts Receivable, Net	21,997	44	370	113
Inventories and Prepaid Items	2,188	41		56
Due from Primary Government	752,558	2,354		
Loans, Notes, and Pledges Receivable, Net	1,053,083	31,102		
Deferred Outflows	116,976			
Other Assets	2,792	3,796	225	40
Restricted Assets:				
Cash and Cash Equivalents	3,247	17,001		
Investments		3,363		
Capital Assets:				
Nondepreciable	5,442			
Depreciable, Net	37,782			
Total Assets	\$2,577,157	\$456,530	\$34,795	\$18,693
LIABILITIES				
Accounts Payable	\$947	\$1,796		\$2
Payroll and Related Liabilities	453			
Unearned Revenue		3,252		15,169
Amounts Held in Trust for Others	18,270	14,868		
Due to Primary Government		78,535		
Deferred Inflows	115,848			
Other Accrued Liabilities	113,749	357	\$98	
Long-Term Liabilities:				
Due Within One Year	268,403	1,415	1,640	3,522
Due in More Than One Year	1,853,684	11,783	4,073	
Total Liabilities	2,371,354	112,006	5,811	18,693
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	18,357			
Restricted for:				
Debt Service	145,448			
Permanent Trust - Expendable		123,617		
Permanent Trust - Nonexpendable		211,642		
Other Purposes	1,398			
Unrestricted	40,600	9,265	28,984	
Total Net Assets	205,803	344,524	28,984	
Total Liabilities and Net Assets	\$2,577,157	\$456,530	\$34,795	\$18,693

The accompanying notes are an integral part of the financial statements.

Bond Bank Authority	Total
	\$63,838
\$118	798
	968,087
	22,524
	2,285
	754,912
271,164	1,355,349
	116,976
11,585	18,438
	20,248
	3,363
	5,442
	37,782
\$282,867	\$3,370,042
	\$2,745
	453
	18,421
	33,138
	78,535
	115,848
\$3,455	117,659
8,690	283,670
270,604	2,140,144
282,749	2,790,613
	18,357
	145,448
	123,617
	211,642
	1,398
118	78,967
118	579,429
\$282,867	\$3,370,042

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Component Units

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
EXPENSES				
Personnel Costs	\$9,525	\$2,114		
Services and Supplies	9,204	4,014	\$1,289	\$377
Benefits, Awards, and Premiums	54,211	54,180	839	11,750
Interest Expense	106,728	355		2
Depreciation	2,947			
Other Expenses	6,292	291		
Total Expenses	188,907	60,954	2,128	12,129
PROGRAM REVENUES				
Charges for Services:				
Licenses, Permits, and Fees	16,490		2,157	
Sale of Goods and Services	4,314	194		6,817
Investment Income	121,986		1,072	292
Other Income	7,090	1,783		
Operating Grants and Contributions	55,673	56,894		1,025
Total Program Revenues	205,553	58,871	3,229	8,134
Net Revenues (Expenses)	16,646	(2,083)	1,101	(3,995)
GENERAL REVENUES				
Payments from State of Idaho				3,995
Total General Revenues				3,995
Permanent Endowment Contributions		1,687		
Change in Net Assets	16,646	(396)	1,101	
Net Assets - Beginning of Year, as Restated	189,157	344,920	27,883	
Net Assets - End of Year	\$205,803	\$344,524	\$28,984	

The accompanying notes are an integral part of the financial statements.

Bond Bank Authority	Total
	\$11,639
	14,884
	120,980
\$11,624	118,709
	2,947
21	6,604
11,645	275,763
66	18,713
	11,325
11,625	134,975
	8,873
	113,592
11,691	287,478
46	11,715
	3,995
	3,995
	1,687
46	17,397
72	562,032
\$118	\$579,429

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

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Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles.

During fiscal year 2012, the State implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The Idaho Housing and Finance Association, a discretely presented component unit, implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

The financial statements are presented for the fiscal year ended June 30, 2012, except for the Idaho State Bar and the Idaho Dairy Products Commission (nonmajor special revenue funds); the Petroleum Clean Water Trust Fund, The Housing Company (THC), the Idaho Individual High Risk Reinsurance Pool, and the Idaho Small Employer Health Reinsurance Program (discretely presented component units); and the State of Idaho Public Employees' Deferred Compensation Plan (pension trust fund); whose statements are for the fiscal year ended December 31, 2011. The Idaho Potato Commission (nonmajor special revenue fund) has a fiscal year that ended August 31, 2011.

A. Reporting Entity

The State of Idaho is governed under the Idaho Constitution of 1890, as amended. Legislative power is vested in a 35-member Senate and a 70-member House of Representatives. Executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction. Judicial power is vested in the Idaho Supreme Court, Idaho Court of Appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if the State appoints a voting majority of the organization's governing board and either 1) is able to impose its will on the organization or 2) a potential exists for the organization to provide financial benefits to, or impose financial burdens on, the State.

For those entities for which the State does not appoint a voting majority of the governing body, inclusion of the entity is required if the organization is fiscally dependent on the State. Component units also include legally separate and tax-exempt organizations whose economic resources directly benefit the State, the State is entitled to or has the ability to access those resources, and the resources are significant to the State.

Blended Component Unit

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. The component units are reported as part of the primary government and blended into the appropriate funds.

The *Idaho State Building Authority* was created by Idaho Code, Section 67-6403, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. The Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship. The Authority provides services to the State of Idaho and some community colleges. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column on the government-wide statements to emphasize that they are legally separate from the primary government. The State's discretely presented component units are as follows:

The *Idaho Housing and Finance Association* fund includes the Association and its component unit, THC, which was established to support the function and activities of the Association. The Association was created by Idaho Code, Section 67-6202, for the purpose of building and rehabilitating residential housing for persons of low income. The Association is authorized to enter into agreements that include issuing bonds for the Idaho Transportation Department to facilitate transportation projects and for the Department of Labor to cover the shortfall in the Unemployment Compensation fund, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members.

The *College and University Foundation* fund includes the foundations of Boise State University (BSU), Eastern Idaho Technical College (EITC), Idaho State University (ISU), Lewis-Clark State College (LCSC), and the University of Idaho (UI). The foundations were

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

established for the purpose of soliciting donations in support of the growth and development of the colleges' and universities' programs and activities. Gifts and contributions are held, protected, managed, and invested for the exclusive benefit of the respective colleges and universities.

The *Idaho Petroleum Clean Water Trust Fund* was created by Idaho Code, Section 41-4905, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The Governor appoints the members of the board and the State approves, and may modify, the Fund's plan of operation. The Legislature sets the fees charged for enrollment in the Fund and imposes a transfer fee on petroleum products. Thus the State has the ability to impose its will on the Fund.

The *Health Reinsurance* fund includes the Idaho Individual High Risk Reinsurance Pool created by Idaho Code, Section 41-5502, and the Idaho Small Employer Health Reinsurance Program created by Idaho Code, Section 41-4711. The Pool and the Program are intended to promote the availability of health insurance coverage, regardless of health or claims experience. The Pool and Program provide a safety net to carriers in the form of a risk pool and reinsurance mechanism to facilitate the guaranteed issue of standardized state-approved health benefit plans. The Pool and the Program operate subject to the supervision and control of the same ten-member board, a majority of which is appointed by the director of the Department of Insurance. The Pool is partially funded through state premium tax revenue creating a financial burden for the State.

The *Idaho Bond Bank Authority* was created by Idaho Code, Section 67-8703, authorizing the Authority to issue bonds to make loans to municipalities for infrastructure. The Authority can obtain better credit ratings, interest rates, and lower underwriting costs than municipalities can achieve individually. The Authority is administered by a five-member board, of which two members are appointed by the Governor and three are elected officials. The Authority can obligate sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State.

Financial statements for the component units may be obtained as follows:

Idaho State Building Authority
 755 West Front Street, Suite 200
 Boise, ID 83702

Idaho Housing and Finance Association
 565 West Myrtle
 P.O. Box 7899
 Boise, ID 83707-1899

The Housing Company
 P.O. Box 6943
 Boise, ID 83707-0943

Boise State University Foundation, Inc.
 1910 University Drive
 Boise, ID 83725-1030

Eastern Idaho Technical College Foundation, Inc.
 1600 South 2500 East
 Idaho Falls, ID 83404-5788

Idaho State University Foundation, Inc.
 921 South 8th Avenue
 Campus Box 8050
 Pocatello, ID 83209

Lewis-Clark State College Foundation, Inc.
 Controller's Office
 500 8th Avenue
 Lewiston, ID 83501-2698

University of Idaho Foundation, Inc.
 P.O. Box 443143
 Moscow, ID 83844-3143

Idaho Petroleum Clean Water Trust Fund
 1215 West State Street
 P.O. Box 83720
 Boise, ID 83720-0044

Idaho Individual High Risk Reinsurance Pool
 Idaho Small Employer Health Reinsurance Program
 3449 East Copper Point Drive
 Meridian, ID 83642

Idaho Bond Bank Authority
 State Treasurer's Office
 P.O. Box 83720
 Boise, ID 83720-0091

Related Organizations

The *State Insurance Fund*, created by Idaho Code, Section 72-901; and the *Idaho Health Facilities Authority*, created by Idaho Code, Section 39-1444, are related organizations for which the State is not financially accountable although the State appoints a voting majority of the organizations' boards. The financial reports of these organizations are excluded from the State's financial statements.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The *Statement of Net Assets* and *Statement of Activities* report information on nonfiduciary activities of the primary government and its component units. Primary government activities distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

The *Statement of Net Assets* presents the State's nonfiduciary assets and liabilities, with the difference reported as net assets. The *Statement of Activities* demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues display the extent to which programs are self-funded. The difference between direct expenses and program revenue displays the net cost of the function to be financed from the State's general revenues. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

Fund Statements

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and

business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column. The nonmajor funds are displayed individually in combining statements.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education, economic development, and natural resources. The General Fund includes all financial resources of the general government except those accounted for in another fund.

The *Health and Welfare* special revenue fund accounts for resources primarily from federal grants that are used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* special revenue fund accounts for resources primarily from federal grants, fuel taxes, and registration fees that are used for administration, construction, and maintenance of the state highway and aviation systems.

The *Land Endowments* permanent fund manages and invests the revenues generated from the sale or lease of lands granted from the federal government under the Idaho Admission Act.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *Loan* fund accounts for loans to make improvements to irrigation, wastewater, and drinking water systems.

Additionally the State reports the following fund types:

Governmental Fund Types

Special revenue funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *capital projects fund* accounts for financial resources that are restricted, committed, or assigned to finance construction of transportation infrastructure.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

Permanent funds account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support certain state programs.

Proprietary Fund Types

Enterprise funds account for governmental operations that function in a manner similar to private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include health, disability, property, liability, and other types of insurance; data processing services; and other general services such as facilities rentals.

Fiduciary Fund Types

Pension (and other employee benefits) trust funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, deferred compensation plan, and other employee benefits. Complete financial statements of the State of Idaho Public Employees' Deferred Compensation Plan may be obtained by writing to the Idaho Secretary of State's Office, Attn: Chairman Ben Ysursa, P.O. Box 83720, Boise, ID 83720-0080.

Investment trust funds account for external participants' investments with the State's Local Government Investment Pool and Diversified Bond Fund.

The *private-purpose trust fund* accounts for resources held in trust by the Idaho College Savings Program; the principal and interest benefit individuals. Complete financial statements may be obtained by writing to Idaho College Savings Program, Upromise Investments Service Center, P.O. Box 219944, Kansas City, MO 64121.

The *Agency fund* accounts for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries. These resources include deposits of securities by banks and insurance companies.

Classification of Revenues and Expenses of Proprietary Funds

Operating and nonoperating revenues and expenses are presented separately on the operating statements. Operating transactions generally occur if they directly result from the provision of goods or services to customers or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the government-wide statements.

The proprietary fund statements include a reconciliation between the fund statements and the government-wide statements for internal service fund activity that is included in the enterprise fund statements but eliminated in the government-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The Agency fund reports only assets and liabilities using the accrual basis of accounting; they have no measurement focus.

Reimbursements are eliminated in the government-wide Statement of Activities to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include payments for maintenance and construction projects, federal grant pass-throughs from one state agency to another, insurance premiums, technical services, and the allocation of central human resource costs to all agencies.

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

The State reports only enterprise funds as business-type activities. The business-type activities follow all current GASB pronouncements. They also follow all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The State has elected not to apply FASB pronouncements issued after November 30, 1989, for business-type activities.

THC and the foundations of BSU, EITC, and ISU issue financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. The financial statements and note disclosures of THC and these foundations have been reformatted to comply with GASB requirements.

D. Assets and Liabilities***Cash and Cash Equivalents***

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money market accounts; FDIC insured nonnegotiable certificates of deposit; and short-term, highly-liquid investments with a maturity of three months or less from the date of acquisition.

Pooled Cash and Investments

Cash balances of most funds are deposited with the State Treasurer's Office (STO). Balances not required to meet immediate needs are pooled in an internal investment pool. Idaho Code, Sections 67-2725 through 67-2749 and Sections 67-1210 and 67-1210A, govern STO deposit and investment policies for the pooled balances. See Note 2 for more information.

Investments

The State reports most investments at fair value based on published market prices and quotations from investment brokers. Investments held in lieu of surety deposits, which are not held for investment purposes, are carried at historical cost in the State's agency fund. Certain entities disclosed in Note 2 report money market investments and other highly liquid investments with a remaining maturity of one year or less at the time of purchase using amortized cost. See Note 2 for more information.

Securities Lending Collateral

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Securities lending collateral is reported at fair market value. See Notes 2 and 3 for more information.

Receivables, Net

Receivables in the General Fund consist primarily of income and sales taxes. Special revenue fund receivables consist primarily of federal health and transportation grants, fuels taxes, and vendor receipts. Proprietary fund receivables consist mainly of loans, unemployment assessments, and student tuition and fees. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements. See Note 5 for more information on noncurrent receivables.

Internal Balances

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to another and for certain statutorily required transfers due at year-end. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year. Interfund receivable and payable balances and activity have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

Inventories and Prepaid Items

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

valued at cost, which approximates market value, generally using the first-in, first-out method. Prepaid expenses represent amounts paid in the current period for services that will benefit future periods. Inventory and prepaid expenses are accounted for using the consumption method.

Deferred Outflows

Deferred outflows are the changes in fair value of the hedged derivative instruments to be recognized in a future period. At the time that the instrument is terminated, the amount will be reported as investment income. See Note 2 for more information.

Other Assets

Other assets include interest receivable and other miscellaneous items.

Restricted Assets

Assets are reported as restricted when constraints on asset use are imposed by constitutional provisions, enabling legislation, or external parties; and the constraints change the nature or normal understanding of the availability of the asset.

Capital Assets, Net

Capital assets include land, improvements to land, land use rights, buildings, improvements to buildings, machinery, equipment, software, historical art and collections, capital assets in progress, all infrastructure regardless of acquisition date, and other tangible or intangible assets used in operations. Tangible assets with a value of \$5,000 or more, and intangible assets with a value of \$200,000 or more, and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's functionality or materially extend an asset's useful life are not capitalized. Interest expense related to capital asset construction is capitalized for enterprise funds.

Capital assets are reported at cost or estimated historical cost, if actual cost is not available. In cases where historical cost is not available, assets are valued using comparable assets indexed forward or backward with the Consumer Price Index. Donated capital assets are reported at their estimated fair value at the date of donation. Endowment land originally granted to the State by the federal government is reported at one dollar per acre.

Capital assets are depreciated or amortized with the exception of roads, rights-of-way, land, capital assets in progress, historical art and collections, and certain intangible assets with an indefinite useful life.

Depreciation and amortization are recorded as depreciation expense. For all depreciable major asset classes, depreciation and amortization are calculated on a straight-line basis over their estimated useful lives, as follows:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements to Buildings	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Infrastructure – Bridges	75
Infrastructure – Other	30 - 50

Roads are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the road's service potential is increased or additions are made. The Idaho Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads. Further information regarding infrastructure can be found in the Required Supplementary Information.

Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, state capitol-related artifacts, furnishings, films, statues, and monuments. Some of the State's historical art and collections have not been capitalized because they are preserved and protected for public display, education, or research. The proceeds from the sales of collection items are used to acquire other items for the collection. Historical art and collections already capitalized at June 30, 1999, have remained capitalized even if they meet the conditions for exemption from capitalization.

Intangible assets acquired in fiscal years ending after June 30, 1980, and not previously capitalized, are retroactively reported as of July 1, 2009. Some intangible assets with indefinite useful lives as of July 1, 2009, and some internally generated intangible assets created prior to or in progress as of July 1, 2009, were retroactively reported if appropriate historical costs were determinable.

See Note 6 for more information on capital assets.

Payables

Payables in the General Fund consist primarily of sales taxes due to local governments, vendor obligations, and unsettled trades payable, which account for tax anticipation notes security proceeds which have a trade

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

date prior to year-end and a settle date after year-end. Payables in the special revenue funds relate primarily to vendor obligations, fuel taxes to be distributed to local governments, and Medicaid. Medicaid Payable includes the amount the State expects to pay within 60 days of fiscal year end. The remaining amount, estimated Medicaid claims expected to be presented within the next year, is reported as Claims and Judgments within the Long-Term Liabilities due within one year on the government-wide Statement of Net Assets. Proprietary fund payables consist mostly of payroll liabilities and vendor obligations. The pension trust fund payable is comprised primarily of investments purchased by the Public Employee Retirement System of Idaho.

Unearned/Deferred Revenue

Unearned revenue is recorded when cash is received prior to being earned. In the governmental fund statements, deferred revenue includes unearned revenue in addition to revenue that is earned but not available.

Amounts Held in Trust for Others

Amounts held in trust for others consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is returned to the owner. Occasionally the owner may default on the conditions; at that time, the asset held in trust becomes the property of the State and revenue is recorded.

Obligations Under Securities Lending

Obligations under securities lending consist of the collateral that has been received from borrowers for lent securities. The State has an obligation to return the collateral when the borrower returns the securities to the State. See Notes 2 and 3 for more information.

Deferred Inflows

Deferred inflows are the changes in fair value of the hedged derivative instruments to be recognized in a future period. At the time that the instrument is terminated, the amount will be reported as investment income. See Note 2 for more information.

Other Accrued Liabilities

Other accrued liabilities primarily consist of interest payable and other miscellaneous liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within 12 months designated separately

from the portion payable in more than 12 months. Long-term liabilities include the following:

Bonds and Notes Payable consists of bonds and notes issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 12 for more information.

Capital Leases Payable consists of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State. See Note 10 for more information.

Compensated Absences Payable includes vacation and compensatory time earned by employees but not paid and retirees' unused sick leave to be used for the acquisition of health insurance. See Note 12 for more information.

Policy Claim Liabilities includes amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated. See Notes 9 and 12 for more information.

Other Long-Term Liabilities consists of payables on behalf of the State and its agencies for various legal proceedings and claims, a net pension obligation, net other postemployment benefits obligations, and other miscellaneous liabilities. See Notes 7, 8, and 12 for more information.

E. Net Assets / Fund Balance***Net Assets***

Net assets are the difference between assets and liabilities on the government-wide, proprietary, and fiduciary fund financial statements.

Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

Restricted Net Assets result when third parties, constitutional provisions, or enabling legislation impose constraints on net asset use. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

categories. Unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

Fund Balance

Fund balance is the difference between assets and liabilities on the governmental fund financial statements. The Legislature approves appropriations for State agencies and in so doing specifies the funding sources and the order in which restricted, committed, assigned, or unassigned fund balance is spent. Fund balances are classified in the following five categories:

Nonspendable fund balances consist of amounts that cannot be spent because they are in nonspendable form, such as inventories, prepaid items, and long-term receivables; or they are legally or contractually required to be maintained intact, such as the corpus of the permanent fund.

Restricted fund balances consist of amounts that are

constrained by either external parties or imposed by law through constitutional provisions or enabling legislation and can only be used for specific stated purposes.

Committed fund balances consist of amounts that are constrained by statutes enacted by the Legislature and approved by the Governor. The committed amounts cannot be used for any other purposes unless subsequent legislation changes or removes the specified purposes. The legislation that constrains the use of the resources is separate from the authorization to raise the underlying revenue.

Assigned fund balances consist of amounts that are constrained by the Legislature's or agency director's intent to be used for specific purposes, and are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund.

NOTE 2. DEPOSITS, INVESTMENTS, DERIVATIVE INSTRUMENTS, AND RESTRICTED ASSETS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions. Legal provisions regarding deposits are found throughout Idaho Code, Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all moneys except for the following: the Idaho Bond Bank Authority, the Idaho Housing and Finance Association, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the college and university foundations, the Idaho State Building Authority, some of the endowment fund accounts, the State Bar, the Potato Commission, the Dairy Products Commission, the Wheat Commission, some of the colleges' and universities' accounts, Idaho Public Employees' Deferred

Compensation Plan, and some of the Public Employee Retirement System of Idaho accounts. In accordance with Idaho Code, Sections 67-1210 and 67-1210A, the STO invests the pooled cash not needed to meet immediate obligations in various types of investments. The pool balances are available on demand to the participants. Interest received on the pooled cash and investments is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds. The weighted average maturity of the pooled cash and investments held by the STO was 327 days.

Custodial credit risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State does not have a formal policy to address custodial credit risk.

Custodial Credit Risk at June 30, 2012

(dollars in thousands)

	Governmental and Business- Type Activities	Fiduciary Funds	Component Units
Bank Value of Deposits	\$146,160	\$11,017	\$83,789
Uninsured and Uncollateralized Deposits	13,980	2,568	12,605
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	9,205		729
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the State's Name			1,838

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

B. Investments***General Investment Policies***

The Idaho Uniform Prudent Investor Act, Idaho Code, Sections 68-501 through 68-514, stipulates the standard to be followed by state investment personnel. The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with Idaho Code, Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles short-term investing and outsources long-term investing. Unsettled trades payable consisting of \$262.8 million in U.S. government agency securities and \$2.0 million in corporate obligations are subject to interest rate risk, credit risk, and concentration of credit risk.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. Investments are valued as described in Note 1.

Types of Investments

Idaho Code, Section 67-1210, authorizes the STO and agencies with investment authority to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971; obligations issued by the Federal National Mortgage Association and the Federal Home Loan Bank; and obligations issued or guaranteed by other agencies or instrumentalities of Idaho or of the United States, including the U.S. Small Business Administration guaranteed portion of any approved loan by an Idaho banking corporation and by the STO
- Obligations issued by public corporations of the State
- Repurchase agreements covered by any legal investment for the State

- Tax and revenue anticipation instruments of the State or Idaho taxing districts
- Time deposit and savings accounts in state depositories, state and federal savings and loan associations, or state and federal credit unions located within the boundaries of Idaho
- Revenue bonds of Idaho higher education institutions
- Money market funds whose portfolios consist of investments specified in this section and are denominated in U.S. dollars

Idaho Code, Section 67-1210A, authorizes the STO to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Securities lending agreements
- Bonds, notes, and debentures of any U.S. corporation with at least an A rating by a nationally recognized statistical rating organization such as Standard & Poor's or Moody's

The Endowment Fund Investment Board (EFIB) manages investments of Idaho's permanent fund, the Land Endowments fund. Idaho Code, Section 57-720, gives the EFIB the authority to formulate investment policies of the permanent endowment fund and earnings reserve funds. Idaho Code, Section 57-723, stipulates that the EFIB and its investment managers are governed by the Idaho Uniform Prudent Investor Act and the Idaho Constitution. In addition to the investment types mentioned previously, the EFIB has approved the following types of investments:

- Collateralized mortgage obligations
- Collective funds whose portfolios are pooled and operated by a business trust company
- Domestic and international equities
- Financial index futures, options, and certain derivatives as approved by the EFIB

The Retirement Board of the Public Employee Retirement System of Idaho (PERSI) has established a Statement of Investment Policy in accordance with Idaho Code, Sections 59-1301 through 59-1399. In addition to the investments mentioned above for the STO and the

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012**

EFIB, the following types of investments are approved for PERSI funds:

- Derivative instruments, specifically, swaps and forward foreign currency contracts by a few selected managers
- Private equity real estate investments in open-end and closed-end commingled real estate funds, direct real estate, publicly traded real estate investment trusts and other public real estate companies, private real estate companies, and real estate operating venture entities
- Alternative investments upon the recommendation of a qualified consultant after due diligence and with approval by the Board or subcommittee appointed by the Board

Custodial Credit Risk of Investments

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the value of investments or collateral securities that are in the possession of an outside party will not be recovered. The State does not have a formal policy to address custodial credit risk. The following describes the policies and risks for those state entities that are exposed to custodial credit risk:

- The Idaho Workers' Compensation Law, Idaho Code, Title 72, requires sureties to maintain a security deposit with the STO in order to write workers' compensation insurance or to be self insured. The amount of sureties that are held by the bank, in the name of the insurance company and subject to custodial credit risk was \$263.3 million.
- The Judges' Retirement fund had \$13.0 million of government agency securities, \$0.7 million of foreign agency securities, \$3.6 million of corporate bonds, \$0.4 million of mortgage-backed securities, and \$42.4 million of equity securities held by the broker-dealer, not in the fund's name. The fund's investment policy does not contain legal or policy requirements that would limit exposure to custodial credit risk.
- The PERSI investment policy mitigates custodial credit risk, to the extent possible, by requiring that investments be registered in the name of the PERSI and be delivered to a third-party custodian. Short-term investments are created through daily sweeps of excess cash. The PERSI had various short-term investments of \$9.2 million held by various counterparties, not in the PERSI's name.
- The Boise State University Foundation does not have a formal policy that would limit its exposure to custodial credit risk. The Foundation held

\$11.6 million of U.S. Treasury bonds, \$25.2 million of corporate bonds, \$20.9 million of bond mutual funds, \$40.0 million of equity mutual funds, and \$2.7 million of private equity funds that were uninsured and held in the name of the broker.

- The University of Idaho Foundation minimizes exposure to custodial credit risk by requiring that investments, to the extent possible, be clearly marked as to Foundation ownership and insofar as possible, be held in the Foundation's name. The Foundation held \$2.7 million of government agency securities, \$40.9 million of corporate debt, \$1.6 million of preferred stock, \$0.5 million of municipal securities, \$16.0 million of U.S. Treasuries, \$93.9 million of common stock, \$14.8 million of international equity funds, and \$6.7 million of private equities that were held in the name of the counterparty for benefit of the Foundation.

Interest Rate Risk of Debt Securities

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in fair values due to future changes in interest rates. The State has not adopted a formal policy that addresses interest rate risk, except as follows:

- The EFIB has adopted the policy that the fixed-income weighted average of the EFIB portfolio may not exceed that of the Barclays Capital Aggregate Bond Index by more than one-half year. The separate Endowment Funds Interest Rate Risk schedule quantifies the interest rate risk of EFIB fixed-income securities.
- The PERSI manages interest rate risk using the effective duration methodology, which takes into account the options on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the PERSI fixed-income portfolios are managed in accordance with operational guidelines, which include an expected range of interest rate risk in the portfolio. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the separate schedule following the PERSI investments schedule quantifies the interest rate risk of the PERSI fixed-income assets. Some of the large durations are due to the use of options and forward foreign currency contracts.
- The Idaho Housing and Finance Association has adopted bond indentures, bond resolutions, and trust resolutions that provide investment maturities based upon the cash requirements of the Association's

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

accounts, as determined by authorized Association investment officers. The Association's investment

maturities are presented as part of the Component Units Maturity of Debt Investments at June 30, 2012.

Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2012
(Except Endowment Funds, PERSI, Idaho College Savings Program, and Deferred Compensation Plan)
(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	Total Fair Value
<u>Debt Securities:</u>						
Money Market Funds	\$144,344					\$144,344
Certificates of Deposit	5,470	\$80				5,550
Repurchase Agreements	683,360					683,360
Commercial Paper	22,273					22,273
U.S. Gov't Obligations	938,750	115,962	\$48,708			1,103,420
U.S. Gov't Agency Obligations	1,012,282	91,806	9,521			1,113,609
U.S. Gov't Agency Mortgage-Backed Securities*	1,341	248,208	55,585			305,134
U.S. Gov't Corporation Mortgage-Backed Securities*	357	27,900	34,072			62,329
Asset-Backed Securities*	411					411
Commercial Mortgages*		22,742	349			23,091
Corporate Obligations	101,339	127,915	28,062			257,316
Municipal and Public Entity Obligations	25,410	932	37	\$65		26,444
Bond Mutual Funds and Other Pooled Fixed-Income Securities	138,235	24,909	40,132			203,276
Foreign Agency Obligations		412	287			699
Idaho Small Business Loans	70	973	1,369		\$552	2,964
External Investment Pools	80,578					80,578
Total Debt Securities	3,154,220	661,839	218,122	65	552	4,034,798
<u>Reinvestment of Securities Lending Collateral:</u>						
Money Market Funds	315,294					315,294
Repurchase Agreements	817,999					817,999
Asset-Backed Securities*	2,906	15,349				18,255
Corporate Obligations	17,982					17,982
Total Debt Securities and Reinvestment of Securities Lending Collateral	\$4,308,401	\$677,188	\$218,122	\$65	\$552	5,204,328
<u>Other Investments:</u>						
Mutual Funds						3,252
Equity Securities and Mutual Funds						8,262
Domestic Equity Securities						42,357
Total						\$5,258,199

*Mortgage-backed and asset-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Endowment Funds Interest Rate Risk at June 30, 2012

(dollars in thousands)

Investment Type	Fair Value	Modified Duration In Years
<u>Debt Securities:</u>		
Barclays Capital Aggregate Bond	\$307,839	5.20
U.S. Treasury Inflation-Protected Securities	54,070	5.00
Total Endowment Fund Debt Securities	<u>361,909</u>	
<u>Other Investments:</u>		
Equity Investments	896,000	
Money Market Funds	8,224	
Total Other Endowment Fund Investments	<u>904,224</u>	
<u>Unsettled Trades:</u>		
Receivable for Investments Sold	(20,019)	
Payable for Investments Purchased	29,918	
Total Endowment Fund Investments	<u>\$1,276,032</u>	

PERSI Investments at June 30, 2012

(dollars in thousands)

Investment Type	Fair Value
Domestic Fixed-Income	\$2,713,423
Commingled Domestic Fixed-Income	79,209
Short-Term Domestic Investments	420,342
Idaho Commercial Mortgages	489,343
International Fixed-Income	79,153
Domestic Equities	4,276,469
Domestic Equities - Convertibles	152
International Equities	2,212,357
Real Estate	528,485
Private Equity	1,006,050
Mutual Funds	451,913
Commingled Domestic Equity	163,979
Commingled International Equity	37,417
Total PERSI Investments	<u>\$12,458,292</u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2012

(dollars in thousands)

Investment Type	Domestic Securities		International Securities		Total Fair Value
	Fair Value	Effective Duration in Years	Fair Value	Effective Duration in Years	
Asset-Backed Securities	\$6,221	0.20			\$6,221
Asset-Backed Securities	211	*	\$179	*	390
Mortgages	8,363	0.89			8,363
Commercial Paper	167,662	0.16			167,662
Corporate Bonds	475,678	6.41	4,621	5.24	480,299
Corporate Bonds	819	*			819
Fixed-Income Derivatives	(75)	*			(75)
Government Agencies	62,780	6.52	2,440	0.95	65,220
Government Agencies	178	*			178
Government Bonds	532,285	5.67	71,906	4.86	604,191
Government Mortgage-Backed Securities	328,849	1.29			328,849
Government Mortgage-Backed Securities	12,215	*			12,215
Pooled Investments	21,530	0.08			21,530
Pooled Investments	79,208	*			79,208
Private Placements	43,760	3.96			43,760
Private Placements	131,695	*			131,695
U.S. Treasury Inflation-Protected Securities	1,335,325	8.19			1,335,325
Idaho Mortgages	489,343	*			489,343
Total PERSI Fixed Income Securities	\$3,696,047		\$79,146		\$3,775,193

*Duration calculations for some securities are not available.

Idaho College Savings Program Investments at June 30, 2012

(dollars in thousands)

Investment Type	Fair Value	Average Maturity In Years
Money Market Funds	\$24,237	Less than 1
Bond Fund	86,652	7.2
Inflation-Linked Bond Fund	12,895	9.4
Equity Funds	70,452	
International Equity Funds	30,465	
Sally Mae High-Yield Savings Account	6,103	
Total Idaho College Savings Program Investments	\$230,804	

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Deferred Compensation Plan Investments at December 31, 2011

(dollars in thousands)

Investment Type	Fair Value	Average Maturity In Years
<u>Fixed Income:</u>		
Nationwide Life Fixed Fund	\$56,316	11.70
Idaho Retiree Fixed Fund	73,066	11.70
Great West Life Fixed Option	65	
Total Fixed Income	129,447	
<u>Variable Income:</u>		
Nationwide Investor Destinations Moderately Aggressive Fund	10,320	11.04
The Income Fund of America	10,571	4.16
Nationwide Investor Destinations Moderately Conservative Fund	1,799	10.37
Waddell & Reed Advisors High Income Fund	2,189	5.42
Nationwide Retirement Income Fund	120	3.06
Nationwide Investor Destinations Conservative Fund	951	10.17
Dreyfus Bond Market Index Fund	3,984	7.31
Nationwide Destinations 2015 Fund	1,265	3.34
Nationwide Destinations 2020 Fund	786	3.33
Nationwide Destinations 2025 Fund	835	2.46
Nationwide Investor Destinations Moderate Fund	8,207	10.62
Nationwide Destinations 2030 Fund	637	1.48
Nationwide Destinations 2035 Fund	183	0.98
Nationwide Destinations 2040 Fund	82	0.50
Nationwide Destinations 2045 Fund	42	0.25
Nationwide Destinations 2050 Fund	6	0.13
Nationwide Investor Destinations Aggressive Fund	5,224	11.04
The Growth Fund of America	22,976	
Fidelity	17,492	
Neuberger Berman	8,432	
Capital World	4,958	
State Street Equity	4,725	
EuroPacific Growth Fund	3,318	
Dreyfus	5,767	
American Century	11,568	
Van Kampen	1,996	
JPMorgan	2,129	
Charles Schwab	1,140	
Legg Mason Partners	726	
Great West	13	
Nationwide	456	
Carrier Suspense	2	
Templeton Foreign Fund	1,216	
Shelton Core Value Fund	5	
Total Variable Income	134,120	
<u>Annuity Payout Options:</u>		
Nationwide Life	3,032	
DCVAII	29	
Total Annuity Payout Options	3,061	
<u>Life Insurance Contracts:</u>		
Monumental Life	429	
Total Deferred Compensation Plan Investments and Life Insurance Contracts	\$267,057	

All investments are unrated.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Component Units Maturity of Debt Investments at June 30, 2012

(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-25 Years	26-30 Years	More than 30 Years	Total Fair Value
Debt Securities:									
Money Market Funds	\$167,673								\$167,673
Certificates of Deposit	318								318
U.S. Gov't Obligations	92,041	\$26,780	\$14,245	\$4,579	\$2,085	\$40			139,770
U.S. Gov't Agency Obligations	3,577	40,569	27,528	165	11,916	44,346	\$9,243		137,344
Corporate Obligations	30,637	44,677	9,508	699	1,214	204	183	\$414	87,536
Preferred Securities		63	80	34	87				264
Municipal Obligations	86	277	63	192	97				715
Bond Mutual Funds		13,620	16,583	187					30,390
Total Debt Securities	\$294,332	\$125,986	\$68,007	\$5,856	\$15,399	\$44,590	\$9,426	\$414	564,010
Other Investments:									
Cash Equivalents included with Investments									2,841
Domestic Equities									93,921
Foreign Equities									608
Private Equities									13,367
Investment Agreements									148,675
Corporate Obligations Without Maturity Dates									1,564
Equity and Income Mutual Funds									3,336
Mutual Funds									60,685
International Equity Funds									41,652
Real Estate and Perpetual Trusts*									23,120
Commodities									3,891
Insurance Annuities									305
Hedge Funds									12,464
Interest Rate Swaps									(3,296)
Land Held by Endowment**									4,307
Component Units Investments									\$971,450

*\$9,813 valued at cost. **Investments valued at cost.

Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill an obligation is commonly expressed in terms of the credit quality rating issued by a national rating organization. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality ratings. Unless otherwise stated, the ratings presented use the Moody's scale. The State does not have a formal policy to address credit risk of debt securities. The following Boards have formally adopted policies that address credit quality ratings of debt securities:

- The State Board of Education policy allows colleges and universities to invest in corporate bonds and mortgage-backed securities of A grade or better and commercial paper of prime or equivalent grade without prior Board approval.

- The EFIB investment policy states that investment grade bonds must be rated BBB (or the equivalent) or better; commercial paper must be rated A1 (or the equivalent) or better; and money market funds shall contain securities with an absolute minimum of investment grade by Standard & Poor's (S&P) or Moody's.
- The PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in accordance with operational guidelines that outline expected portfolio characteristics which usually, but not always, include credit quality and exposure levels. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.
- The Idaho Housing and Finance Association policies permit investments for each bond issue in accordance

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

with the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those allowed by Idaho Code, Section 67-6215B, or by federal regulations. The Association has adopted resolutions as policy for

authorized investments in the Affordable Housing Investment Trust and the Loan Guaranty Trust. The Board has not adopted a formal policy related to the Association's business operations investments.

Primary Government and Fiduciary Funds Credit Quality Ratings of Debt Securities at June 30, 2012
(Except Endowment Funds, PERSI, and Deferred Compensation Plan)

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	A1-P1	Unrated
Money Market Funds*	\$171,077	\$47,975						\$123,102
Certificates of Deposit	5,550							5,550
Repurchase Agreements	683,360							683,360
Commercial Paper	22,273						\$22,273	
U.S. Gov't Agency Obligations	1,113,609	7,104	\$523,116	\$67	\$2		583,268	52
U.S. Gov't Agency Mortgage-Backed Securities	305,134	8,375	296,759					
Asset-Backed Securities	411	411						
Commercial Mortgages	23,091	22,862	36	93	15			85
Corporate Obligations	257,316	19,970	50,646	167,494	19,181	\$18		7
Municipal and Public Entity Obligations	26,444	219	479	241				25,505
Bond Mutual Funds and Other Pooled Fixed-Income Securities	302,823	69,192						233,631
Foreign Agency Obligations	699	345	98	74	153			29
External Investment Pools	80,578							80,578
Total	\$2,992,365	\$176,453	\$871,134	\$167,969	\$19,351	\$18	\$605,541	\$1,151,899

Reinvestment of Securities Lending Collateral:

Investment Type	Fair Value	Aaa	Caa	Ca	C	Unrated
Money Market Funds	\$315,294	\$315,294				
Repurchase Agreements	817,999					\$817,999
Asset-Backed Securities	18,255		\$10,926	\$4,424	\$2,905	
Corporate Obligations	17,982					17,982
Total	\$1,169,530	\$315,294	\$10,926	\$4,424	\$2,905	\$835,981

*Includes \$2.5 million of money market funds that are reported with cash and cash equivalents.

Endowment Funds
Credit Quality Ratings of Debt Investments at June 30, 2012
(dollars in thousands)

Investment Type	Fair Value	Average S & P Rating
Barclays Capital Aggregate Bond	\$307,839	AA
Northern Money Market Fund	8,224	AAA
Total	\$316,063	

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

PERSI Credit Quality Ratings of Fixed-Income Securities at June 30, 2012

(dollars in thousands)

S & P Rating Level	Fair Value	Investment Type	
		Domestic Securities	International Securities
Agency (A-1+)	\$82,514	\$82,514	
Agency (A-1)	43,599	43,599	
Agency (A-2)	19,334	19,334	
AAA	97,986	52,072	\$45,914
AA	332,594	332,594	
A	253,201	230,955	22,246
BBB	126,526	124,445	2,081
BB	10,026	10,026	
B	4,479	4,479	
CCC	2,974	2,974	
CC	1,320	1,320	
D	411	411	
Not Rated	342,537	333,632	8,905
Total	\$1,317,501	\$1,238,355	\$79,146

Component Units Credit Quality Ratings of Debt Securities at June 30, 2012

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	D	Unrated
Money Market Funds	\$167,673										\$167,673
Certificates of Deposit	318										318
U.S. Gov't Agency Obligations	137,344	\$134,604	\$2,725								15
Corporate Obligations	86,585	6,337	27,602	\$27,647	\$20,473	\$2,073	\$1,476	\$153	\$22	\$20	782
Preferred Securities	264	155	13	27	43	11	9	2		1	3
Municipal Obligations	715	20	13	375	61	52	12				182
Bond Mutual Funds	30,390	7,973	329	9,454	4,093		69				8,472
Total	\$423,289	\$149,089	\$30,682	\$37,503	\$24,670	\$2,136	\$1,566	\$155	\$22	\$21	\$177,445

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Concentration of Credit Risk

Concentration of credit risk describes the heightened exposure to loss when a considerable number of investments exist in a single issuer. The State has adopted a principle that governments should provide note disclosure when 5 percent of the total government investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount that may be invested in any one issuer.

- The State, the Idaho Potato Commission, the STO pool portfolio, and the colleges and universities have not adopted a formal policy to address concentration of credit risk.

- The Idaho Housing and Finance Association places no limit on the amount the Association may invest in one issuer.
- The Idaho Individual High Risk Reinsurance Pool's policy provides that no more than 10 percent of the short-term fund balance may be invested in the securities of any one issuer. The policy exempts the following types of investments: obligations of the U.S. government or its agencies, repurchase agreements collateralized by obligations of the U.S. government or its agencies, federally insured certificates of deposit, mutual funds, and money market mutual funds.

Primary Government Concentration of Credit Risk at June 30, 2012

(dollars in thousands)

Portfolio	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Potato Commission:	Federal Home Loan Bank	\$882	100.0
STO Pool:	Daiwa Capital Markets America, Inc.	372,000	19.8
	Federal Home Loan Bank	149,947	8.0
	Federal Home Loan Mortgage Corporation	250,435	13.3
	Federal National Mortgage Association	185,323	9.9

Component Unit Concentration of Credit Risk at June 30, 2012

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
Boise State University Foundation:	Novartis Capital Corporation	\$9,358	7.8
Health Reinsurance:	Federal Farm Credit	2,006	11.7
	Federal Home Loan Bank	5,603	32.5
	Federal Home Loan Mortgage Corporation	6,606	38.4
	Federal National Mortgage Association	3,000	17.4
Idaho Housing and Finance Association:	Bayerische Landesbank	63,021	11.8
	Federal Farm Credit Bank	55,001	10.3
	Trinity Plus Funding Company	62,843	11.8

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Foreign Currency Denominated Investments

Investments denominated in foreign currencies face a potential risk of loss in fair value from changes in currency exchange rates. The following describes the policies related to foreign currency risk for those state entities that have investments denominated in a foreign currency:

- The EFIB investment policy statement permits investing up to 21 percent of the EFIB total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The PERSI investment policy provides individual manager guidelines, which outline at a minimum, a

range of currency exposure. Each portfolio is monitored for currency exposure. Managers are required to report variances.

- The Lewis-Clark State College Foundation investment policy permits investments in equities denominated in foreign currencies. The policy limits the investments in international equities to no more than 15 percent of the Foundation's total investment portfolio.
- The University of Idaho Foundation does not presently have a policy that addresses foreign currency risk.

Endowment Funds Foreign Currency Risk at June 30, 2012

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	\$6,793
Brazilian Real	Equities	880
Canadian Dollar	Equities	4,446
Danish Krone	Equities	2,607
Euro	Equities	11,409
Hong Kong Dollar	Equities	12,571
Indonesian Rupiah	Equities	974
Japanese Yen	Equities	18,271
Norwegian Krone	Equities	1,423
Philippine Peso	Equities	2,617
Singapore Dollar	Equities	4,797
South African Rand	Equities	564
South Korean Won	Equities	4,161
Swedish Krona	Equities	6,562
Swiss Franc	Equities	16,208
Taiwanese Dollar	Equities	1,532
Thai Baht	Equities	221
U.K. Pound	Equities	36,146
Total		\$132,182

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

PERSI Foreign Currency Risk at June 30, 2012

(dollars in thousands)

Currency	Investment Type			Fair Value of Currency in U.S. Dollars
	Short-Term Investments	Equities	Fixed Income	
Australian Dollar	(\$24,947)	\$61,607	\$7,565	\$44,225
Brazilian Real	(587)	69,350	1,313	70,076
Canadian Dollar	(40,181)	36,023	41,333	37,175
Chilean Peso		1,734		1,734
Czech Koruna	109	1,857		1,966
Danish Krone	115	11,025		11,140
Egyptian Pound		8,849		8,849
Euro	(66,635)	543,556		476,921
Hong Kong Dollar	737	211,906		212,643
Hungarian Forint	(166)	6,299		6,133
Indonesian Rupiah	348	73,090		73,438
Israeli Shekel	79	6,011		6,090
Japanese Yen	(6,771)	318,567		311,796
Kenyan Shilling		354		354
Malaysian Ringgit	39	10,117	508	10,664
Mexican New Peso	(3,562)	16,271	9,344	22,053
New Taiwan Dollar	1,448	59,363		60,811
New Turkish Lira	280	60,239		60,519
New Zealand Dollar	1	533		534
Norwegian Krone	1,897	7,092		8,989
Philippine Peso		20,763		20,763
Polish Zloty	(5,288)	8,345	6,623	9,680
Russian New Ruble		3,504		3,504
Singapore Dollar	3,542	26,023		29,565
South African Rand	(736)	75,530	4,398	79,192
South Korean Won	131	139,170		139,301
Sri Lanka Rupee		392		392
Swedish Krona	230	27,361		27,591
Swiss Franc	(26,157)	91,101		64,944
Thai Baht	312	40,809		41,121
U.K. Pound	(27,137)	352,614	8,702	334,179
Zimbabwe New Dollar		552		552
Total	(\$192,899)	\$2,290,007	\$79,786	\$2,176,894

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

College and University Foundation

Foreign Currency Risk at June 30, 2012

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Argentine Peso	Equities	\$7
Australian Dollar	Equities	2,743
Brazilian Real	Equities	1,351
Canadian Dollar	Equities	69
Chilean Peso	Equities	212
Chinese Yuan	Equities	1,843
Columbian Peso	Equities	48
Czech Koruna	Equities	34
Danish Krone	Equities	38
Egyptian Pound	Equities	12
Euro	Equities	2,717
Hong Kong Dollar	Equities	3,001
Hungarian Forint	Equities	53
Indian Rupee	Equities	859
Indonesian Rupiah	Equities	378
Israeli Shekel	Equities	23
Japanese Yen	Equities	2,903
Malaysian Ringgit	Equities	412
Mexican Peso	Equities	741
Moroccan Dirham	Equities	3
New Zealand Dollar	Equities	14
Norwegian Krone	Equities	14
Peruvian Nuevo Sol	Equities	24
Philippine Peso	Equities	125
Polish Zloty	Equities	173
Russian Ruble	Equities	625
Singapore Dollar	Equities	1,449
South African Rand	Equities	955
South Korean Won	Equities	1,715
Swedish Krona	Equities	483
Swiss Franc	Equities	2,022
Taiwan Dollar	Equities	1,443
Thai Baht	Equities	298
Turkish Lira	Equities	257
U.K. Pound	Equities	6,319
Total		\$33,363

Debt Investments with Terms That May Cause the Fair Value to Be Highly Sensitive To Interest Rate Changes

Mortgage-Backed Securities have a return based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments. To the extent possible, this prepayment risk is reflected in the interest rate risk of the portfolios by using the weighted average method to calculate interest rate risk for long-term investments and the modified duration method used by the EFIB and the PERSI.

Treasury Inflation Protected Securities (TIPS) are fixed-income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. The Endowment Funds had investments in TIPS with a fair value of \$54.1 million, and the PERSI had investments in TIPS with a fair value of \$1.3 billion.

The Idaho Housing and Finance Association has nine U.S. agency obligations with an aggregate value of \$31.9 million with call options. The Association is invested in pay-fixed, receive-variable interest rate swaps with notional amounts totaling \$18.7 million, and fair value of negative \$3.3 million. The Association pays

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

fixed rate payments between 3.368 percent and 5.3 percent and receives variable rate payments based on the Securities Industry and Financial Markets Association (SIFMA) Index plus 10 to 20 basis points or the London Interbank Offered Rate (LIBOR) plus 15 basis points.

Repurchase Agreements

Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at a higher price.

The Idaho Housing and Finance Association invests excess cash overnight in repurchase agreements that are held in the Association's account in the name of the bank and are collateralized by the U.S. government and agency obligations. The Association had repurchase agreements of \$14.9 million with Wells Fargo Bank and \$2.7 million with Key Bank.

Securities Lending Agreements

Securities lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Idaho Code, Section 67-1210A, authorizes

the STO to engage in securities lending agreements. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The investments are collateralized at no less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. The cash collateral received is held in a separate account in the name of the STO. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the STO pool portfolio had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. No restrictions exist on the amount of loans that can be made. Either the State or the borrower can cancel all securities loans upon demand. Generally the average term of these loans is under ten days. The cash collateral received is invested by the agent in marketable securities of varying terms with maturities ranging between one day and three years. As of June 30, 2012, more than 45 percent of the portfolio was invested in instruments with a one-day maturity or less and the weighted average maturity of the cash collateral portfolio was 112 days.

Primary Government and Fiduciary Funds

Balances of Securities Lending Transactions at June 30, 2012

(dollars in thousands)

<u>Securities Lent for Cash Collateral</u>	<u>Fair Value of Lent Securities</u>	<u>Cash Collateral Received for Lent Securities</u>
U.S. Treasury Obligations	\$682,611	\$699,728
U.S. Gov't Agency Obligations	442,108	451,848
Mortgage-Backed Securities	29,535	30,184
Corporate Debt Instruments	28,709	29,821
Total	\$1,182,963	\$1,211,581

Reinvestment of securities lending balances of the STO pool portfolio and internal participants' portions of the STO External Investment Pools are reported in the General Fund. The reinvestment of securities lending balances attributable to the external participants are reported in the investment trust funds.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

C. Derivative Instruments

Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments.

Primary Government

The Idaho State Building Authority entered into a pay-

Type	Objective	Notional Amount (in thousands)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate contract	Hedge of changes in cash flows on the 2008 Series A bonds	\$40,525	12/1/2008	9/1/2025	Pay 4.3%; Receive 67% of 1-month LIBOR rate	A

The Authority is exposed to credit risk on the interest rate contract that could potentially be in an asset position.

The Authority is exposed to interest rate risk on the interest rate contract. As the one-month LIBOR rate decreases, the Authority's net payment on the interest rate contract increases.

The Authority is exposed to basis risk on the interest rate contract because the variable-rate payments received by the Authority on this hedging instrument are based on a rate or index other than interest rates the Authority pays on its hedged variable-rate debt, which is currently remarketed every seven days. As of June 30, 2012, the interest rate on the Authority's hedged variable-rate debt was 0.177 percent while 67 percent of the one-month LIBOR was 0.162 percent.

The Authority or its counterparty may terminate the interest rate contract if the other party fails to perform under the terms of the contract. In addition, the Authority may terminate at any time. If at the time of

fixed interest rate contract as a cash flow hedge. On the government-wide Statement of Net Assets the fair value amount at June 30, 2012, was \$9.3 million which is reported as other liabilities; changes in fair value were \$3.1 million which is reported as deferred outflows. The Authority contract has the following objectives and terms:

termination the interest rate contract is in a liability position, the Authority would be liable to the counterparty for a payment equal to the liability.

Component Units

The Idaho Housing and Finance Association has entered into multiple interest rate swap agreements to reduce the Association's overall cost of borrowing long-term capital and protect against the risk of rising interest rates. The fair value of the swaps was a negative \$115.8 million and is reported as deferred inflows on the Statement of Net Assets. The Association has determined that a substantial portion of its interest rate swaps effectively hedge against changes in variable interest rates. Changes in fair value of \$115.8 million for hedge swaps are reported as deferred outflows on the Statement of Net Assets. A portion of the interest rate swaps are considered non-effective for hedging purposes and are reported in the Statement of Revenues, Expenses and Changes in Net Assets at \$3.3 million. The Association has the following interest rate swap agreements:

Idaho Housing and Finance Association
Hedging Derivative Instruments - Interest Rate Swap Agreements
(dollars in thousands)

Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Terms	
						Fixed Rate Paid	Variable Rate Received
2000 Series F	\$5,045	(\$703)	\$107	11/6/2008	1/1/2018	5.3000%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2000 Series G	7,100	(1,475)	(201)	11/6/2008	7/1/2021	5.2500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series A	6,960	(1,037)	18	11/6/2008	1/1/2020	4.7600%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series B	3,955	(633)	(62)	11/6/2008	7/1/2020	4.8660%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series C	7,280	(1,145)	6	11/6/2008	7/1/2020	4.8600%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series D	9,895	(1,784)	(165)	11/6/2008	7/1/2022	4.7300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series E	5,490	(936)	569	11/6/2008	7/1/2022	4.5300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series F	7,490	(1,179)	(33)	11/6/2008	1/1/2021	4.7000%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series A	7,400	(1,326)	(46)	11/6/2008	1/1/2021	5.0200%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Terms	
						Fixed Rate Paid	Variable Rate Received
2002 Series B	6,160	(1,085)	(124)	11/6/2008	1/1/2021	4.9500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series C	7,550	(1,300)	(55)	11/6/2008	1/1/2021	4.8900%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series D	10,230	(1,853)	(294)	11/6/2008	7/1/2022	4.7100%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series E	7,480	(1,165)	(84)	11/6/2008	7/1/2021	4.4800%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series F	6,625	(943)	(210)	11/6/2008	1/1/2024	3.7900%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series G	4,600	(742)	133	11/6/2008	1/1/2024	4.1400%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2003 Series A	9,205	(1,898)	(375)	11/6/2008	1/1/2026	4.5190%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2003 Series B	7,265	(1,219)	(160)	11/6/2008	7/1/2024	4.0360%	SIFMA+.20%
2003 Series C	5,050	(777)	(256)	11/6/2008	1/1/2025	3.7800%	SIFMA+.20%
2003 Series D	8,165	(1,859)	(409)	11/6/2008	7/1/2025	4.8400%	SIFMA+.20%
2003 Series E	7,570	(1,570)	(300)	11/6/2008	7/1/2025	4.5300%	SIFMA+.20%
2004 Series A	7,990	(1,448)	(386)	11/7/2008	1/1/2026	4.0290%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2004 Series B	7,850	(1,657)	(284)	11/7/2008	1/1/2027	4.3700%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2004 Series C	8,310	(1,665)	(381)	11/7/2008	7/1/2025	4.3300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2004 Series D	10,265	(1,829)	(593)	11/7/2008	1/1/2028	3.8500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series A	10,590	(1,965)	(642)	11/7/2008	1/1/2029	3.9000%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series B	10,410	(1,979)	(612)	11/7/2008	7/1/2028	3.9850%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series C	10,570	(1,807)	(633)	11/7/2008	7/1/2028	3.7300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series D	10,330	(1,857)	(576)	11/7/2008	7/1/2028	3.8650%	SIFMA+.20% (LIBOR<4.0%)/68% LIBOR
2005 Series E	10,955	(2,028)	(667)	11/7/2008	1/1/2029	3.9300%	SIFMA+.20% (LIBOR<4.0%)/68% LIBOR
2005 Series F	11,330	(2,255)	(694)	11/7/2008	1/1/2029	4.0950%	SIFMA+.20% (LIBOR<4.0%)/68% LIBOR
2006 Series A	11,065	(2,223)	(693)	11/7/2008	1/1/2029	4.1000%	SIFMA+.20% (LIBOR<4.0%)/68% LIBOR
2006 Series B	8,110	(1,589)	(354)	11/7/2008	7/1/2025	4.3500%	SIFMA+.20% (LIBOR<4.0%)/68% LIBOR
2006 Series C	7,895	(1,540)	(336)	11/7/2008	1/1/2025	4.3600%	SIFMA+.20% (LIBOR<4.0%)/68% LIBOR
2006 Series D	9,210	(1,849)	(386)	11/7/2008	1/1/2025	4.4500%	SIFMA+.20% (LIBOR<4.0%)/68% LIBOR
2006 Series E	10,745	(2,053)	(478)	11/7/2008	1/1/2026	4.2800%	SIFMA+.20% (LIBOR<4.0%)/68% LIBOR
2006 Series F	10,925	(1,923)	(491)	11/7/2008	1/1/2026	4.0300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2006 Series G	10,880	(1,814)	(484)	11/7/2008	7/1/2026	3.9100%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series A	11,195	(2,038)	(549)	11/7/2008	7/1/2026	4.0438%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series B	12,890	(2,197)	(629)	11/7/2008	1/1/2027	3.8950%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series C	13,450	(2,397)	(674)	11/7/2008	1/1/2027	3.9770%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series D-1	15,765	(2,663)	(672)	11/7/2008	1/1/2026	3.9800%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series E-1	19,255	(3,258)	(778)	11/7/2008	7/1/2025	4.0230%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series E-2			6	11/7/2008	7/1/2011	5.2470%	LIBOR+.15%
2007 Series F-1	24,055	(4,553)	(892)	11/7/2008	1/1/2025	4.3710%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series F-2			8	11/7/2008	7/1/2011	5.6590%	LIBOR+.15%
2007 Series G	25,000	(6,401)	(2,067)	11/7/2008	7/1/2028	4.3400%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series H	29,505	(7,427)	(2,761)	11/7/2008	7/1/2030	4.1460%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series I	21,000	(4,904)	(1,751)	11/7/2008	7/1/2028	4.0900%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series J	26,250	(6,035)	(2,191)	11/7/2008	7/1/2028	4.0500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2007 Series K	24,000	(5,143)	(2,021)	11/7/2008	7/1/2030	3.8800%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2008 Series A	24,000	(4,787)	(2,026)	11/7/2008	7/1/2030	3.7190%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2008 Series B	26,625	(4,163)	(1,566)	11/7/2008	7/1/2029	3.5950%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2008 Series C	19,210	(2,958)	(845)	11/7/2008	7/1/2026	3.7500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2008 Series D	5,985	(814)	(324)	10/2/2008	7/1/2026	3.3680%	SIFMA+.10% (LIBOR<3.5%)/68% LIBOR
	\$606,130	(\$115,848)	(\$30,363)				

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Idaho Housing and Finance Association
Investment Derivative Instruments - Interest Rate Swap Agreements
(dollars in thousands)

Series	Notional Amount	Fair Value	Change in Fair Value	Inception Date	Termination Date	Terms	
						Fixed Rate Paid	Variable Rate Received
2000 Series F			\$10	11/6/2008	1/1/2018	5.3000%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2000 Series G	\$2,640	(\$548)	79	11/6/2008	7/1/2021	5.2500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series B	3,430	(548)	61	11/6/2008	7/1/2020	4.8660%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2001 Series E	4,405	(750)	(750)	11/6/2008	7/1/2022	4.5300%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series B	1,310	(230)	73	11/6/2008	1/1/2021	4.9500%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series C			5	11/6/2008	1/1/2021	4.8900%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series D			110	11/6/2008	7/1/2022	4.7100%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2002 Series G	2,025	(327)	(326)	11/6/2008	1/1/2024	4.1400%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2003 Series B	1,440	(241)	(241)	11/6/2008	7/1/2024	4.0360%	SIFMA+.20%
2003 Series E	595	(124)	(124)	11/6/2008	7/1/2025	4.5300%	SIFMA+.20%
2004 Series B	740	(156)	(156)	11/7/2008	1/1/2027	4.3700%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2005 Series D	430	(77)	(77)	11/7/2008	7/1/2028	3.8650%	SIFMA+.20% (LIBOR<4.0%)/68% LIBOR
2007 Series H	495	(129)	(48)	11/7/2008	7/1/2030	4.1460%	SIFMA+.20% (LIBOR<3.5%)/68% LIBOR
2008 Series D	1,220	(166)	(6)	10/2/2008	7/1/2026	3.3680%	SIFMA+.10% (LIBOR<3.5%)/68% LIBOR
	\$18,730	(\$3,296)	(\$1,390)				

The Association was not exposed to credit risk on any outstanding swaps due to their negative fair values. The Association's counterparty has a current rating of A.

All but seven of the Association's swaps have a dual basis: the SIFMA Index plus 20 (10 for the 2008D issue) basis points when the one-month LIBOR is less than either 3.5 percent or 4 percent (depending on the bond series) and 68 percent of the LIBOR when the LIBOR is 3.5 percent or greater. Four non-basis swaps have a basis of the SIFMA Index plus 20 basis points and three have a basis of the LIBOR plus 15 basis points. The Association is exposed to basis risk when variable payments received are based on the LIBOR and do not offset the variable-rate paid on bonds, which is based on the SIFMA Index. On June 30, 2012, the SIFMA Index was 18 basis points and the one-month LIBOR was 25 basis points.

Rollover risk relates to a mismatch in the amortization of the swaps with the amortization of the variable-rate bonds. The Association has structured its debt such that not all variable debt is matched by interest rate swaps and calls certain variable-rate bonds independent of the

expiration of the associated interest rate swap. This exposes the Association to the risk of incurring a higher interest expense than it might otherwise incur. Swap notional amounts no longer associated with variable-rate debt are reported as investment derivatives.

The Association or Barclays Capital may terminate an interest rate swap if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates and the Association would be exposed to changing interest rates and incurring interest rate risk. The risk may be offset by identifying a suitable counterparty willing to enter into identical swap contracts at the termination date.

D. Restricted Assets

A portion of cash and investments are classified as restricted assets for governmental activities, business-type activities, and component units on the Statement of Net Assets. The breakout of purpose and amount are as follows:

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Primary Government and Component Units

Restricted Assets at June 30, 2012

(dollars in thousands)

Purpose	Amount
<u>Governmental Activities:</u>	
Restricted Cash:	
Bond Covenants	\$579
Debt Service	34,138
Donations for Various Projects	8,094
Group Insurance Reserves	28,212
Juvenile Corrections Social Security Benefits	1,032
Legislation and Donations	12,035
Matching Fund Contributions	32,197
Petroleum Violation Escrow	4,137
Pollution Clean Up	32,892
The Idaho State Bar Client Assistance Fund	511
Restricted Investments:	
Debt Service	4,301
Donations for Various Projects	5,034
Legal Settlements	2,225
Legislation and Donations	152,596
Total Governmental Activities	<u><u>\$317,983</u></u>
<u>Business-Type Activities:</u>	
Restricted Cash:	
Bond Indentures	\$2,541
Debt Service	553
Idaho Lottery Dividends Payout	40,067
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	30,352
Restricted Investments:	
Bond Indentures	1,804
Wastewater Facility Loan Program and Drinking Water Systems Loan Program	67,476
Total Business-Type Activities	<u><u>\$142,793</u></u>
<u>Component Units:</u>	
Restricted Cash:	
Donations for the College and University Foundations	\$17,001
Single-Family and Multi-Family Escrow Deposits	3,247
Restricted Investments:	
Donations for the College and University Foundations	3,363
Total Component Units	<u><u>\$23,611</u></u>

NOTE 3. EXTERNAL INVESTMENT POOLS

A. Overview of the External Investment Pools

The State Treasurer manages two external investment pools, the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). In order to earn a

higher yield, Idaho governmental entities may voluntarily deposit moneys not needed to meet immediate operating obligations in these pools. The LGIP is a short-term investment pool. Participants have overnight availability to their funds, up to \$10.0 million.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

Withdrawals of \$10.0 million or more require three business days' notification. The weighted average maturity of investments in the LGIP at June 30, 2012, was 85 days. The LGIP distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool. The STO created the DBF for those state and public agencies able to exchange current liquidity for potentially greater returns over the long run (3.5 years or longer). Withdrawals of \$10.0 million or less generally require five business days' notification prior to the last day of the month. Withdrawals of more than \$10.0 million require 25 business days' notification prior to the last day of the month. All withdrawals from the DBF occur on the last day of the month. The weighted average maturity of investments in the DBF at June 30, 2012, was 3.9 years. The DBF distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool.

The STO must operate and invest the funds of both pools for the benefit of the participants. The STO makes investments in accordance with Idaho Code, Sections 67-1210 and 67-1210A. The Pools are not registered with the Securities and Exchange Commission or any other regulatory body. The STO does not provide any legally binding guarantees to support the value of shares to the participants. Each month the STO transfers funds to cover administrative costs associated with the specific pool to the STO operating fund.

The LGIP and the DBF are reported as fiduciary-type investment trust funds. The Pools have not issued separate reports as external investment pools. The assets and liabilities in these notes will not agree to the amounts shown on the fiduciary fund financial statements because only the external portion of investment pool assets is required to be reported in the investment trust funds. The internal portion of pool assets is reported in the appropriate individual fund or component unit.

Investments were valued through a quoted market price at June 30, 2012. The LGIP provides participants with a net asset valuation factor that enables them to convert their monthly statement balance to fair value. The DBF reports participants' balances at fair value on their monthly statements. The State uses the aggregate method to determine the increase or decrease in fair value of each pool.

Internal participant funds generally receive the income from investments generated by their participation in the external investment pools, with the exception of the Unemployment Compensation enterprise fund. The investment income from that fund is assigned to the

Miscellaneous Special Revenue fund per Idaho Code, Section 72-1347A.

The LGIP and the DBF engage in securities lending transactions. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The cash collateral can be pledged without borrower default. The securities are collateralized at no less than 102 percent of the fair value. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received. Additional collateral is obtained as necessary to meet margin requirements. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end the STO had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. No custodial credit risk existed since the securities were held by the State's agent in the STO's name. No restrictions exist on the amount of loans that can be made. Substantially all securities loans can be terminated on demand either by the State or by the borrower. Generally the average term of these loans is less than 10 days. The cash collateral received is invested by the agent in marketable securities with maturities ranging between one day and one year. As of June 30, 2012, more than 51 percent of the LGIP cash collateral was invested in instruments with a one-day maturity, and the weighted average maturity of all collateral investments was 19 days. More than 40 percent of the DBF cash collateral was invested in instruments with a one-day maturity and the weighted average maturity of all cash collateral investments was 22 days.

The Pools disclose certain risks that may be associated with their deposits and investments. Disclosures are made under each individual pool for the following required risk disclosures:

Interest rate risk occurs when changes in interest rates adversely affect the fair value of investments. The Pools do not have a formally adopted policy to address interest rate risk.

Concentration of credit risk describes the heightened exposure to loss when a considerable number of investments exist in a single issuer. When 5 percent or more of the pool's total investments are concentrated in any one issuer, the pools have adopted the principle of disclosing the amount and percentage invested. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Pools do not have a

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

formally adopted policy to address the amount that may be invested with any one issuer.

Credit risk associated with investments is the risk that an issuer of debt securities or another counterparty to an investment transaction will not

fulfill its obligation. Obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The Pools do not have a formally adopted policy to address credit risk associated with investments.

B. Local Government Investment Pool

Local Government Investment Pool

Condensed Statement of Net Assets

June 30, 2012

(dollars in thousands)

Assets	
Investments, at Fair Value	\$1,410,816
Interest Receivable to the Pool	2,427
Reinvestment of Securities Lending Collateral	596,357
Securities Lending Income Receivable	187
Total Assets	2,009,787
Liabilities	
Unsettled Trades Payable	2,366
Distributions Payable	215
Administrative Fees Payable	41
Obligations Under Securities Lending	596,357
Securities Lending Agent Fees Payable	7
Securities Lending Borrower Rebates Payable	138
Total Liabilities	599,124
Net Assets Held in Trust for Pool Participants	\$1,410,663
Net Assets Consist of:	
Net Assets Held in Trust for External Participants (\$1.00 par)	\$1,328,242
Net Assets Held in Trust for Internal Participants (\$1.00 par)	82,421
Net Assets Held in Trust for Pool Participants	\$1,410,663
Total Participant Units Outstanding (\$1.00 par)	1,402,288
Participant Net Asset Value, Offering Price and Redemption	
Price Per Share (\$1,410,663 divided by 1,402,288 units)	\$1.01

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Local Government Investment Pool

Condensed Statement of Operations and Changes in Net Assets

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

Investment Income	
Interest Income	\$16,753
Securities Lending Income	1,604
Change in Fair Value of Investments	(14,054)
Total Investment Income	<u>4,303</u>
Expense	
Administrative Fees	(489)
Securities Lending Agent Fees	(78)
Securities Lending Borrower Rebates	(1,084)
Total Investment Expense	<u>(1,651)</u>
Net Investment Income	2,652
Distributions to Participants	
Distributions Paid and Payable	(2,895)
Share Transactions at Net Asset Value of \$1.00 per Share	
Pooled Participant Deposits	\$3,248,034
Pooled Participant Withdrawals	<u>(3,093,560)</u>
Change in Net Assets and Shares Resulting From	
Share Transactions	154,474
Total Change in Net Assets	<u>154,231</u>
Net Assets Held in Trust for Pool Participants	
Beginning of Period	1,256,432
End of Period	<u><u>\$1,410,663</u></u>

Local Government Investment Pool

Summary of Fair Value and Interest Rate Risk at June 30, 2012

(dollars in thousands)

Investment Type	Fair Value	Interest Rates	Investment Maturities	
			In Years	
			Less than 1	1-5
Money Market Mutual Funds	\$105,001	0.200%-0.250%	\$105,001	
Repurchase Agreements	330,681	0.170%-0.260%	330,681	
Commercial Paper	23,655	0.471%	23,655	
Corporate Debt Instruments	111,134	0.370%-4.880%	76,443	\$34,691
U.S. Gov't Agency Obligations	413,854	0.070%-5.500%	413,854	
U.S. Treasury Obligations	426,491	0.120%-1.500%	426,491	
Total Securities	<u>1,410,816</u>		<u>1,376,125</u>	<u>34,691</u>
Accrued Interest	2,427		2,427	
<u>Reinvestment of Securities Lending Collateral:</u>				
Money Market Mutual Funds	196,857	0.134%-0.171%	196,857	
Repurchase Agreements	399,500	0.200%-0.550%	399,500	
Securities Lending Income Receivable	187		187	
Total Assets	<u><u>\$2,009,787</u></u>		<u><u>\$1,975,096</u></u>	<u><u>\$34,691</u></u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Local Government Investment Pool

Change in Fair Value

(dollars in thousands)

Fair Value of Investments at June 30, 2012	\$1,410,816
Proceeds of Investments Sold in FY2012	29,620,205
Cost of Investments Purchased in FY2012	(29,792,621)
Fair Value of Investments at June 30, 2011	(1,252,454)
Change in Fair Value of Investments During FY2012	<u>(\$14,054)</u>

Local Government Investment Pool

Credit Quality Ratings of Debt Securities at June 30, 2012

(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	P-1	Unrated
Money Market Mutual Funds	\$105,001	\$1				\$105,000
Repurchase Agreements	330,681					330,681
Commercial Paper	23,655				\$23,655	
Corporate Debt Instruments	111,134	4,914	\$25,862	\$80,358		
U.S. Gov't Agency Obligations	413,854		239,147		174,707	
<u>Reinvestment of Securities Lending Collateral:</u>						
Money Market Mutual Funds	196,857	196,857				
Repurchase Agreements	399,500					399,500
Total Investments	<u>\$1,580,682</u>	<u>\$201,772</u>	<u>\$265,009</u>	<u>\$80,358</u>	<u>\$198,362</u>	<u>\$835,181</u>

Moody's or equivalent credit quality ratings have been used.

Local Government Investment Pool

Concentration of Credit Risk at June 30, 2012

(dollars in thousands)

Issuer	Fair Value	Percent of Total LGIP Investments
Citigroup	\$128,590	6.41
Daiwa Capital Markets America, Inc.	330,681	16.47
Goldman Sachs	114,000	5.68
Federal Home Loan Bank	139,710	6.96
Federal Home Loan Mortgage Corporation	120,659	6.01
Morgan Stanley	118,000	5.88

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Local Government Investment Pool

Balances of Securities Lending Transactions at June 30, 2012

(dollars in thousands)

<u>Securities Lent for Cash Collateral</u>	<u>Fair Value of Lent Securities</u>	<u>Cash Collateral Received for Lent Securities</u>
Corporate Debt Instruments	\$3,129	\$3,212
U.S. Gov't Agency Obligations	178,195	182,028
U.S. Gov't Obligations	401,285	411,117
Total	\$582,609	\$596,357

C. Diversified Bond Fund

Diversified Bond Fund

Condensed Statement of Net Assets

June 30, 2012

(dollars in thousands)

Assets	
Investments, at Fair Value	\$571,311
Interest Receivable to the Pool	2,477
Reinvestment of Securities Lending Collateral	223,296
Securities Lending Income Receivable	61
Total Assets	797,145
Liabilities	
Distributions Payable	1,040
Administrative Fees Payable	17
Obligations Under Securities Lending	223,296
Securities Lending Agent Fees Payable	2
Securities Lending Borrower Rebates Payable	45
Total Liabilities	224,400
Net Assets Held in Trust for Pool Participants	\$572,745
Net Assets Consist of:	
Net Assets Held in Trust for External Participants (\$1.00 par)	\$149,904
Net Assets Held in Trust for Internal Participants (\$1.00 par)	422,841
Net Assets Held in Trust for Pool Participants	\$572,745
Total Participant Units Outstanding (\$1.00 par)	532,572
Participant Net Asset Value, Offering Price and Redemption	
Price Per Share (\$572,745 divided by 532,572 units)	\$1.08

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Diversified Bond Fund

Condensed Statement of Operations and Changes in Net Assets

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

Investment Income	
Interest Income	\$17,911
Securities Lending Income	623
Change in Fair Value of Investments	7,266
Total Investment Income	<u>25,800</u>
Expense	
Administrative Fees	(1,115)
Securities Lending Agent Fees	(37)
Securities Lending Borrower Rebates	(375)
Total Investment Expense	<u>(1,527)</u>
Net Investment Income	24,273
Distributions to Participants	
Distributions Paid and Payable	(13,002)
Share Transactions at Net Asset Value of \$1.00 per Share	
Pooled Participant Deposits	\$81,986
Pooled Participant Withdrawals	<u>(21,477)</u>
Change in Net Assets and Shares Resulting From	
Share Transactions	60,509
Total Change in Net Assets	<u>71,780</u>
Net Assets Held in Trust for Pool Participants	
Beginning of Period	500,965
End of Period	<u><u>\$572,745</u></u>

Diversified Bond Fund

Summary of Fair Value and Interest Rate Risk at June 30, 2012

(dollars in thousands)

Investment Type	Fair Value	Interest Rates	Investment Maturities		
			Less than 1	In Years 1-5	6-10
Money Market Mutual Funds	\$16,181	0.010%	\$16,181		
Corporate Debt Instruments	85,042	0.620%-5.900%	4,617	\$59,368	\$21,057
Asset-Backed Securities*	214	4.900%	214		
Mortgage-Backed Securities*	16,099	5.330%-5.930%		16,099	
U.S. Gov't Agency Obligations	76,595	0.380%-4.500%	8,058	59,268	9,269
U.S. Gov't Agency Mortgage-Backed Securities*	219,867	3.000%-6.500%	701	179,101	40,065
U.S. Gov't Corporation Mortgage-Backed Securities*	43,766	2.500%-6.500%		17,324	26,442
U.S. Treasury Obligations	113,547	0.250%-3.250%		79,210	34,337
Total Securities	<u>571,311</u>		<u>29,771</u>	<u>410,370</u>	<u>131,170</u>
Accrued Interest	2,477		2,477		
<u>Reinvestment of Securities Lending Collateral:</u>					
Money Market Mutual Funds	54,296	0.134%-0.171%	54,296		
Repurchase Agreements	169,000	0.200%-0.400%	169,000		
Securities Lending Income Receivable	61		61		
Total Assets	<u>\$797,145</u>		<u>\$255,605</u>	<u>\$410,370</u>	<u>\$131,170</u>

*These securities are reported using weighted-average maturity to more accurately reflect the projected terms of the securities, considering interest rates and repayment terms.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Diversified Bond Fund**Change in Fair Value***(dollars in thousands)*

Fair Value of Investments at June 30, 2012	\$571,311
Proceeds of Investments Sold in FY2012	400,428
Cost of Investments Purchased in FY2012	(464,335)
Fair Value of Investments at June 30, 2011	(500,138)
Change in Fair Value of Investments During FY2012	\$7,266

Diversified Bond Fund**Concentration of Credit Risk at June 30, 2012***(dollars in thousands)*

Issuer	Fair Value	Percent of Total DBF Investments
Citigroup	\$43,000	5.41
Federal Home Loan Mortgage Corporation	99,036	12.46
Federal National Mortgage Association	189,368	23.83
Goldman Sachs	46,717	5.88
Morgan Stanley	46,632	5.87

Diversified Bond Fund**Credit Quality Ratings of Debt Securities at June 30, 2012***(dollars in thousands)*

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Money Market Mutual Funds	\$16,181	\$16,181				
Corporate Debt Instruments	85,042	12,902	\$14,506	\$49,445	\$8,189	
Asset-Backed Securities	214	214				
Mortgage-Backed Securities	16,099	16,099				
U.S. Gov't Agency Obligations	76,595		76,595			
U.S. Gov't Agency Mortgage-Backed Securities	219,867		219,867			
Reinvestment of Securities Lending Collateral:						
Money Market Mutual Funds	54,296	54,296				
Repurchase Agreements	169,000					\$169,000
Total Investments	\$637,294	\$99,692	\$310,968	\$49,445	\$8,189	\$169,000

Moody's or the equivalent credit quality ratings have been used.

Diversified Bond Fund**Balances of Securities Lending Transactions at June 30, 2012***(dollars in thousands)*

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	\$20,908	\$21,719
U.S. Treasury Obligations	113,495	116,485
Mortgage-Backed Securities	27,693	28,297
U.S. Gov't Agency Obligations	55,474	56,795
Total	\$217,570	\$223,296

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 4. INTRAENTITY TRANSACTIONS

A. Interfund Balances

Interfund balances consist of the following receivables and payables (*dollars in thousands*):

		Interfund Payables								
		General Fund	Health and Welfare	Trans- portation	Nonmajor Govern- mental	College and University	Nonmajor Enterprise	Internal Service	Pension Trust	Total
Interfund Receivables	General Fund		\$113	\$14	\$339	\$6,995	\$4,840	\$31		\$12,332
	Health and Welfare				9					9
	Nonmajor Governmental	\$53	115	223	1,965					2,356
	College and University	1,510		82	1,361					2,953
	Nonmajor Enterprise	53		154	7					214
	Internal Service	36	239	185	114	30		13		617
	Pension Trust								\$1,575	1,575
	Total	\$1,652	\$467	\$658	\$3,795	\$7,025	\$4,840	\$44	\$1,575	\$20,056

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another and for certain statutorily required transfers due at year-end. Most balances result from the time lag between the dates that:

- 1) Interfund goods and services are provided or reimbursable expenditures occur.

- 2) Transactions are recorded in the accounting system.

- 3) Payments between funds are made.

The receivables not expected to be collected within one year include \$1.3 million advanced by nonmajor governmental funds to other nonmajor governmental funds.

B. Interfund Transfers

Interfund transfers for the fiscal year were as follows (*dollars in thousands*):

		Transfers In					
Transfers Out	General Fund	Health and Welfare	Nonmajor Governmental	College and University	Loan	Internal Service	Total
	General Fund	\$606,318	\$14,886	\$240,669		\$2,687	\$864,560
	Health and Welfare	\$6	165				171
	Transportation	25	15,585				15,610
	Land Endowments	36,808		9,617			46,425
	Nonmajor Governmental	63,508	1,823	290	98	\$3,328	69,047
	College and University	364					364
	Unemployment Compensation			10,172			10,172
	Nonmajor Enterprise	60,873	2,730	1,120			64,723
	Internal Service	368					368
	Total	\$161,952	\$610,871	\$42,218	\$250,384	\$3,328	\$1,071,440

Interfund transfers are primarily performed for two reasons:

- 1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General

Fund and other funds as dictated by state law.

- 2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that has budgetary authorization to spend them.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

During fiscal year 2012, an \$8.0 million nonroutine transfer was made from the Liquor Control Fund to the General Fund to assure a balanced budget.

C. Significant Transactions with Related Parties

The primary government had the following transactions with the Idaho Housing and Finance Association:

- The Transportation fund has notes payable in the amount of \$520.3 million to the Association for bonds issued on their behalf for transportation infrastructure projects.
- The Unemployment Compensation fund has notes payable to the Association in the amount of \$187.6 million for bonds issued on their behalf in 2011 to repay loans from the federal government related to Unemployment Insurance Trust fund shortfalls.
- The Housing Company, a component unit of the Association, owes the Association \$10.6 million for notes payable secured by real property.

- The Boise State University Foundation (BSUF) issued bonds through the Association to finance the purchase of a building; the remaining balance on the bonds payable is \$3.3 million.

Boise State University leases buildings from the BSUF; the remaining lease payments total \$2.3 million. At the expiration of the leases, the BSUF will either donate both buildings or donate one building and continue to lease the other for \$1 per year.

During fiscal year 2012 the college and university foundations distributed \$51.9 million to the respective colleges and universities for support of academic and athletic programs.

The State purchased workers compensation insurance coverage from the State Insurance Fund, a related party, in the amount of \$8.8 million during the fiscal year.

NOTE 5. NONCURRENT RECEIVABLES

Primary Government

Loans and notes receivable in the General Fund consist of long-term receivables from low interest loans made available to upgrade and modernize Idaho's freight-shipping infrastructure in the amount of \$1.7 million, of which \$1.3 million is not expected to be collected within one year. Taxes receivable in the General Fund primarily consist of income and sales tax in the amount of \$275.4 million. The amount not expected to be collected within one year is \$52.5 million, net of allowance for doubtful accounts of \$0.5 million.

Loans and notes receivable in the Transportation fund consist of long-term receivables from the sale of capital assets in the amount of \$0.3 million, of which \$0.2 million is not expected to be collected within one year. Taxes receivable in the Transportation fund consist of fuels taxes in the amount of \$14.4 million; \$0.2 million is not expected to be collected within one year.

Loans and notes receivable in the nonmajor special revenue funds primarily consist of energy and soil conservation projects in the amount of \$6.1 million, of which \$4.8 million is not expected to be collected within one year. Taxes receivable in the nonmajor special revenue funds consist of sales, travel and convention, potato, cigarette, tobacco, and recreational fuel taxes in the amount of \$2.7 million, of which \$0.1 million is not expected to be collected within one year. Accounts

receivable in the nonmajor special revenue funds, in the amount of \$15.5 million, are mainly composed of compliance penalties, restitution to crime victims who have suffered economic losses, and amounts to supervise individuals on probation and parole. The amount not expected to be collected within one year is \$3.1 million, net of allowance for doubtful accounts of \$2.2 million. Grants receivable from the federal government in the nonmajor special revenue funds consist of remediation work at the Bunker Hill Superfund site in Coeur d'Alene in the amount of \$3.9 million, of which \$0.2 million is not expected to be collected within one year.

Loans and notes receivable in the College and University fund consist of student loans, pledges receivable, and notes receivable in the amount of \$25.2 million. The amount not expected to be collected within one year is \$21.6 million, net of allowance for doubtful accounts of \$2.4 million.

Loans and notes receivable in the Loan fund consist of long-term receivables for water project development, drinking water system improvements, and wastewater facility enhancements in the amount of \$333.7 million, of which \$321.9 million is not expected to be collected within one year.

Noncurrent interfund receivables are discussed in Note 4.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Component Units

Total loans receivable and due from primary government for Idaho Housing and Finance Association of \$1.8 billion primarily consist of single-family mortgage, GARVEE highway, and unemployment compensation loans. The amount not expected to be collected within one year is \$1.7 billion.

Loans, notes, and pledges receivable for the College and University Foundation fund largely consist of pledges in

the amount of \$31.1 million. The amount not expected to be collected within one year is \$18.9 million, net of allowance for doubtful accounts of \$1.7 million.

Loans receivable for the Bond Bank Authority are comprised of loans to municipalities in the amount of \$271.2 million. The amount not expected to be collected within one year is \$262.5 million.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows (*dollars in thousands*):

Primary Government	Balances at July 1, 2011 As Restated*			Balances at June 30, 2012
Governmental Activities:		Increases	Decreases	
Capital Assets not Being Depreciated:				
Land and Land Use Rights	\$1,044,025	\$32,209	(\$2,935)	\$1,073,299
Capital Assets in Progress	951,559	138,373	(122,054)	967,878
Infrastructure	2,382,940	15,324	(718)	2,397,546
Historical Art and Collections	122			122
Total Capital Assets not Being Depreciated	4,378,646	185,906	(125,707)	4,438,845
Capital Assets Being Depreciated:				
Buildings and Improvements	920,274	12,259	(1,919)	930,614
Improvements Other Than Buildings	90,423	12,789	(6,088)	97,124
Machinery, Equipment, and Other	432,096	145,416	(36,994)	540,518
Infrastructure	874,843	6,180	(1,400)	879,623
Total Capital Assets Being Depreciated	2,317,636	176,644	(46,401)	2,447,879
Less Accumulated Depreciation for:				
Buildings and Improvements	(299,749)	(21,574)	392	(320,931)
Improvements Other Than Buildings	(27,832)	(5,214)	709	(32,337)
Machinery, Equipment, and Other	(260,142)	(48,196)	21,513	(286,825)
Infrastructure	(194,208)	(13,094)	866	(206,436)
Total Accumulated Depreciation	(781,931)	(88,078)	23,480	(846,529)
Total Capital Assets Being Depreciated, Net	1,535,705	88,566	(22,921)	1,601,350
Governmental Activities Capital Assets, Net	\$5,914,351	\$274,472	(\$148,628)	\$6,040,195

* Beginning balances were adjusted between asset classes and due to prior period adjustments..

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Depreciation expense was charged to functions of governmental activities as follows (*dollars in thousands*):

Governmental Activities:

General Government	\$12,869
Public Safety and Correction	9,713
Health and Human Services	20,139
Education	3,156
Economic Development	29,358
Natural Resources	10,649
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets	2,194

Total Accumulated Depreciation Increase for Governmental Activities

\$88,078

	Balances at July 1, 2011	Increases	Decreases	Balances at June 30, 2012
Business-Type Activities:				
Capital Assets not Being Depreciated:				
Land and Land Use Rights	\$102,082	\$3,558		\$105,640
Capital Assets in Progress	71,962	59,133	(\$48,583)	82,512
Historical Art and Collections	2,219	60	(5)	2,274
Total Capital Assets not Being Depreciated	176,263	62,751	(48,588)	190,426
Capital Assets Being Depreciated:				
Buildings and Improvements	1,219,001	56,468	(1,108)	1,274,361
Improvements Other Than Buildings	61,980	7,742	(9)	69,713
Machinery, Equipment, and Other	376,635	28,090	(8,801)	395,924
Total Capital Assets Being Depreciated	1,657,616	92,300	(9,918)	1,739,998
Less Accumulated Depreciation for:				
Buildings and Improvements	(408,162)	(32,270)	321	(440,111)
Improvements Other Than Buildings	(31,398)	(3,064)	7	(34,455)
Machinery, Equipment, and Other	(278,692)	(24,909)	7,938	(295,663)
Total Accumulated Depreciation	(718,252)	(60,243)	8,266	(770,229)
Total Capital Assets Being Depreciated, Net	939,364	32,057	(1,652)	969,769
Business-Type Activities Capital Assets, Net	\$1,115,627	\$94,808	(\$50,240)	\$1,160,195

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Component Units:	Balances at July 1, 2011	Increases	Decreases	June 30, 2012
Capital Assets not Being Depreciated:				
Land	\$5,379	\$63		\$5,442
Total Capital Assets not Being Depreciated	5,379	63	0	5,442
Capital Assets Being Depreciated:				
Buildings and Improvements	66,869	1,234	(\$179)	67,924
Improvements Other Than Buildings	243			243
Machinery, Equipment, and Other	6,542	388	(223)	6,707
Total Capital Assets Being Depreciated	73,654	1,622	(402)	74,874
Less Accumulated Depreciation for:				
Buildings and Improvements	(29,155)	(2,489)	151	(31,493)
Improvements Other Than Buildings	(211)	(4)		(215)
Machinery, Equipment, and Other	(5,150)	(454)	220	(5,384)
Total Accumulated Depreciation	(34,516)	(2,947)	371	(37,092)
Total Capital Assets Being Depreciated, Net	39,138	(1,325)	(31)	37,782
Component Unit Activities Capital Assets, Net	\$44,517	(\$1,262)	(\$31)	\$43,224

NOTE 7. RETIREMENT PLANS

A. Summary of Public Employee Retirement System of Idaho Plans

The Public Employee Retirement System of Idaho (PERSI) administers the PERSI Base Plan, the Firefighters' Retirement Fund (FRF), and the defined contribution retirement plans. A retirement board appointed by the Governor and confirmed by the State Senate manages the PERSI, which includes selecting the funding agents, establishing funding policy, and setting contribution rates. The PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Summary of Significant Accounting Policies

The PERSI basic financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions to net assets when due and receivable; investment income is recognized when earned; and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the plans' terms. The pension funds are accounted for on a flow of economic

resources measurement focus.

Investments are presented at fair value. Purchases and sales are recorded at the trade date. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments of matching duration. The fair value of longer-term real estate investments has been estimated based on the PERSI's consultant assessments and/or independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available, or at cost plus accrued interest, which approximates market value. Investments of the PERSI Base Plan and FRF are pooled for investment purposes.

1. PERSI Base Plan

Plan Description

Organization and Purpose

The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. The Base Plan is governed by Idaho Code, Title 59, Chapter 13.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Membership

State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for 5 or more consecutive months. The number of participating employer units is 752.

Benefits

The benefit structure is based on each member's years of service, age, and highest average salary. In addition, benefits are provided for disability or death, and to survivors of eligible members or beneficiaries. Members are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI Base Plan is required to provide a 1 percent minimum cost of living increase per year on the condition the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

Funding Policy

Contributions and Vesting

Funding policy for the PERSI Base Plan is determined by the Board as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under Idaho Code, Section 59-1322, is 25 years.

The last actuarial valuation was performed as of July 1, 2012. Normal cost is 13.9 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 2.99 percent of covered payroll.

The contribution rates for the year were as follows:

Employee Group	Employer	Employee
General	10.39%	6.23%
Police and Fire	10.73%	7.69%

Employer contributions required and paid were \$71.7 million, \$69.5 million, and \$69.9 million for the fiscal years ended June 30, 2010, 2011, and 2012, respectively.

After five years of credited service (five months for elected or appointed officials) members become fully vested in retirement benefits earned to date. Upon termination of employment accumulated member contributions plus interest are refundable. The interest was compounded monthly per annum and accrued at 18.16 percent from January 1, 2012, through June 30, 2012, and at 10.74 percent from July 1, 2011, through December 31, 2011. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Although enrollees in the College and University Optional Retirement Plan no longer belong to the PERSI, the colleges and universities are required to contribute to the PERSI Base Plan through July 1, 2025. The contribution rate for the year was 1.49 percent for colleges and universities.

Funding

Contributions from members and employers, in addition to earnings from investments, fund the PERSI Base Plan benefits. Member and employer contributions are a percentage of member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of the PERSI Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of the PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

2. Firefighters' Retirement Fund

Plan Description

The FRF is a cost-sharing multiple-employer defined benefit retirement plan. The FRF is governed by Idaho Code, Title 72, Chapter 14. The FRF is administered by the PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. Twenty-two employer units, all consisting of local fire departments, participated in the FRF. The significant accounting policies are the same as detailed for the PERSI. Complete FRF disclosures may be found in the PERSI financial statements.

3. Defined Contribution Retirement Plans

Plan Description

Organization and Purpose

The defined contribution retirement plans include the 401(k) and the 414(k). The plans are governed by Idaho Code, Title 59, Chapter 13. The 414(k) plan was established for gain-sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan and is subject to board approval.

Membership

The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. Eligibility for the 414(k) gain sharing requires 12 months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain-sharing contributions, received an allocation. The plans have 752 employer units eligible to have participating employees.

Summary of Significant Accounting Policies

The assets of the 401(k) and the 414(k) plans are commingled for investment and recordkeeping purposes. The other significant accounting policies are the same as for the PERSI.

Funding Policy

Contributions

Beginning in January 2002, employees in the 401(k) plan could make tax-deferred contributions up to 100 percent of their gross salary, less deductions, and subject to the IRS annual contribution limit. Participants direct their investment mix with limited restrictions and may elect to change their salary deferrals. On May 1, 2001, the 401(k) plan became open to voluntary employer

matching contributions at rates determined by the employers. Employers and participants in the plans contributed \$0.4 million and \$32.4 million, respectively, during the fiscal year.

B. Other State-Sponsored Retirement Plans

1. Judges' Retirement Fund

Plan Description

Organization and Purpose

The Judges' Retirement Fund (JRF) is a single-employer defined benefit retirement plan, which provides retirement benefits for Idaho Supreme Court justices, court of appeals judges, district court judges, and eligible administrative directors, hereinafter referred to as "members." The Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by Idaho Code, Sections 68-501 through 68-514; and Idaho Code, Title 1, Chapter 20; and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The JRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership and Vesting

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to four years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon meeting one of the following criteria:

- Attainment of age 65 and a minimum of 4 years of service
- Attainment of age 60 and a minimum of 10 years of service
- Attainment of age 55 and a minimum of 15 years of service
- After 20 years of service

The JRF has 81 retired members or beneficiaries collecting benefits, 4 terminated members entitled to, but not yet receiving benefits, and 51 active members.

Benefits

The benefit structure is based on each member's years of service and compensation. In addition, benefits are provided for disability or death, and to survivors of eligible members. The benefit payments for the JRF are

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to, but not on July 1, 2000, are paid under Option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon current annual compensation of the highest office in which the member served, with benefits for Option A accumulating as follows:

For the first 10 years of service benefits are credited at 5 percent per year of the member's compensation. For the remaining years of service, benefits are credited at 2.5 percent per year of the member's compensation.

In addition to the above benefits, Option B includes:

Benefits credited at 12.5 percent per year for senior judges with five years of service.

The maximum benefit is 75 percent of compensation. After four years of credited service any member retiring by reason of disability will be entitled to benefits calculated using Option A. Upon the death of retired or sitting members, surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit.

Summary of Significant Accounting Policies

The JRF's financial statements are prepared using the accrual basis of accounting and flow of economic resources measurement focus. Member and Department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest which approximates market value. Purchases and sales are recorded at the trade date.

Funding Policy***Contributions***

The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

Members and the Department contribute to the JRF during the members' first 20 years of employment. Member and Department contributions are a percentage of member compensation as defined by state law. The JRF policy provides for Department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately \$5.8 million for the fiscal year. In addition, specified court-filing fees in civil court actions are dedicated to the JRF.

Actuarial valuations of the funding status and required contribution levels are generally performed biennially using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The unfunded actuarial liability created by this method is amortized as a level percentage of salary over 25 years on an open basis. The actuarial assumptions include a 7.5 percent investment rate of return, projected annual salary increases of 2.5 percent, an inflation rate of 2.5 percent, and annual postemployment benefit increases of 2.5 percent. Assets are presented at market value. Based on the most recent actuarial valuation as of June 30, 2012, the annual required contribution is \$3.0 million. Total Department and member contributions to the pension plan for the fiscal year amounted to \$2.3 million, of which \$1.6 million was received from filing fees, \$0.4 million from the Department, and \$0.3 million from the members. Net pension obligation increased from \$12.5 million in 2011 to \$13.6 million in 2012 due to the annual pension cost exceeding the employer's contributions. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about the change in the actuarial value of plan assets.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

The funding progress for the fiscal year is as follows (*dollars in thousands*):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL) (2) - (1)	Funded Ratios (1) : (2)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/12	\$ 60,699	\$ 73,656	\$ 12,957	82.4%	\$ 5,847	221.6%

The State's annual pension cost and net pension obligation to the JRF for the current year and two preceding years are as follows:

Idaho Judges' Retirement Fund

Annual Pension Cost and Net Pension Obligation

(*dollars in thousands*)

	2010	2011	2012
Annual Required Contribution (ARC)	\$3,735	\$3,286	\$2,979
Interest on Net Pension Obligation (NPO)	700	836	938
Adjustment to ARC	(608)	(726)	(856)
Annual Pension Cost (APC)	3,827	3,396	3,061
Contributions Made	(2,023)	(2,028)	(1,973)
Increase in NPO	1,804	1,368	1,088
Prior Year NPO	2,711	11,140	12,508
Change in Actuarial Estimate	6,625		
Current Year NPO	\$11,140	\$12,508	\$13,596
Percentage of APC Contributed	52.9%	59.7%	64.5%

2. College and University Optional Retirement Plan

Plan Description

Organization and Purpose

Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt employees. The ORP is governed by Idaho Code, Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

Membership

Faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Funding Policy

Contributions and Vesting

The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer

contributions are determined by the State. The contribution requirement and amount paid for the fiscal year was \$40.4 million, which consisted of \$23.1 million from the colleges and universities and \$17.3 million from employees.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age.

3. Department of Labor Retirement Plan

Plan Description

Organization and Purpose

This stand-alone insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Labor hired prior to October 1, 1980. The Plan is governed by Idaho Code, Section 72-1335, and U.S. Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Labor, which may be reached at (208) 332-3570.

Membership

As of September 30, 2011, the number of Idaho Department of Labor members and actual benefit recipients are as follows:

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Retirees and Beneficiaries	376
Inactive Participants	8
Current Active Employees	<u>17</u>
Total	401

Benefits

Retirement benefit payments are calculated using a benefit formula established in the Plan. This monthly benefit is payable for life, through an annuity purchased for each retired employee from Prudential Insurance Company, with 120 payments guaranteed to the annuitant or their survivor. Upon the purchase of an annuity, Prudential assumes the risk for the insured benefit and has guaranteed to pay benefits in the event the trust funds are depleted. The Plan provides that the contributions paid by the employer to Prudential are in complete discharge of the employer's financial obligation under the Plan. At September 30, 2011, the last actuarial valuation date, no unfunded liability existed. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

The present value of future retirement benefits is \$111.0 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for 2012. Net assets available for benefits (at fair value) are \$159.0 million.

Funding Policy

Contributions

Until August 1999, 7 percent of payroll was contributed by the employee. The employee contribution was required by the Plan and was made even though a contribution was not actuarially needed to finance future benefits. In August 1999, the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2012, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2013. The total employer contribution for federal fiscal year 2012 was zero.

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Plans

The Department of Administration administers postemployment benefits for healthcare, disability, and life insurance for retired or disabled employees of state agencies, public health districts, community colleges, and other political subdivisions that participate in the plans. The Retiree Healthcare and Long-Term Disability plans are reported as agent multiple-employer defined benefit plans. The Retiree Life Insurance plan is a single-employer defined benefit plan. Idaho Code, Sections 67-5760 to 67-5768 and 72-1335, establishes the benefits and contribution obligations. The plans do not issue publicly available financial reports. The most recent actuarial valuation is as of July 1, 2010. No assets have been set aside to pay future benefits; these benefits are funded on a pay-as-you-go basis. The costs of administering the plans are financed by a surcharge to employers on all active employees, \$0.11 per person per month for fiscal year 2012. This rate is reviewed annually.

Each of the employers participating in the plans is required by GASB Statement No. 45 to disclose additional information regarding funding policy, the employer's annual Other Post Employment

Benefits (OPEB) cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

The University of Idaho administers a single-employer defined benefit plan which provides medical, dental, and life insurance. The benefits may be amended by the University or the State Board of Education. The University issues a publicly available financial report that includes financial statements and required supplementary information for these benefits. That report may be obtained by writing to the University of Idaho, Attn. General Accounting, P.O. Box 443166, Moscow, ID 83844-3166. The plan obligations are actuarially determined. The most recent actuarial valuation is as of July 1, 2011. The University has established a trust to fund the medical and dental portions of these benefits. The trust statements are for the fiscal year ended December 31, 2011. The cost of administering the medical and dental portions of the plan is included in medical claim costs; the life insurance portion is financed by a 10 percent surcharge.

The number of participating employers and the classes of employees covered by the above plans are as follows:

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Classes of Employees and Number of Participating Employers

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Healthcare	Life Insurance	Income		
Active Employees	16,634	18,457	18,457		5,079	1,374
Retired/Disabled Employees	883	126	581	128	1,264	870
Terminated, Vested Employees					91	
Number of Participating Employers	27	27	27	27	1	1

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

A retired officer or employee of a state agency, department, institution, or other political subdivision, including an elected official, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase retiree health insurance coverage for themselves and eligible dependents. Employees must enroll within 60 days of the date of their retirement. Additionally, the employee must be receiving monthly PERSI benefits at the time of retirement and must have 10 or more years (20,800 or more hours) of credited service. An officer or employee must have been an active employee on or before June 30, 2009, and must retire directly from State service. Coverage is not available to Medicare-eligible retirees or their Medicare-eligible dependents. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is \$1,860 per retiree per year. In fiscal year 2012 retired plan members contributed 66.3 percent of the total premium cost, and employers were charged \$8.00 per active employee per month towards the retiree premium cost, 33.7 percent of the total cost of the retiree plan.

Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary, the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 continuous weeks of total disability or exhaustion of accrued sick leave must be met.

For up to 30 months following the date of disability an employee may continue healthcare coverage under this

plan. Each employer pays 100 percent of the employer's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. In fiscal year 2012 employers were not required to make a contribution.

The plan also provides basic life insurance and dependent life insurance to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided for spouses and a \$1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The employer pays 100 percent of the cost of the premiums; the contribution is actuarially determined based on actual claims experience.

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or \$4,000, whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, employment rehabilitation earnings, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company, and the obligation for the payment of benefits has been effectively transferred. The employer pays 100 percent of the cost of the premiums; the contribution rate for the period was 0.318 percent of payroll. The employers' actual contribution was \$2.6 million in fiscal year 2012. This portion of the long-term disability income benefit is not included in the actuarial estimate as this is considered an insured benefit.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Retiree Life Insurance Plan

Boise State University, Eastern Idaho Technical College, Idaho State University, and Lewis-Clark State College provide basic life insurance to certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive basic life insurance coverage equal to 100 percent of their annual salary at retirement.

The Judicial Department provides basic life insurance for life to all retired Idaho Supreme Court justices, state court of appeals judges, district court judges, magistrate judges, and court administrators. Eligible retirees receive life insurance coverage equal to 100 percent of the annual salary of the position from which they retire.

The Department of Labor provides basic life insurance to all certified retired employees of the Department. Eligible retirees receive insurance equal to 50 percent of their annual salary at retirement, not to exceed \$5,000.

These participating agencies pay 100 percent of the cost of basic life insurance for eligible retirees. The contribution rate for the fiscal year was a percentage of payroll as indicated in the following chart:

Retiree Life Insurance Contribution Rates

	Under Age 65	Age 65 - 69	Age 70 and Over	All Ages
Colleges and Universities	1.177%	0.894%	0.600%	
Judicial Department	1.170%	0.887%	0.593%	
Department of Labor				0.593%

University of Idaho Plan

The University of Idaho plan provides medical and dental benefits to eligible retirees, disabled employees, spouses, and survivors; life insurance is provided only to retirees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for these benefits. The University pays a portion of the coverage for retirees and disabled employees; the retiree or disabled employee pays the remainder. Spouses and survivors are required to pay 100 percent of the cost for the medical and dental benefits.

Employees hired after January 1, 2002, are eligible to participate in the University's health insurance plan; however, the employee pays the entire cost of the premiums. The University determines the defined premium costs that will be borne by the retiree plan participants. The University solely bears the risk for adverse financial performance, subject to a cap of \$200 thousand per retiree per year, after which the University is reinsured. Retiree health plan performance is reviewed annually and premium rates are then adjusted by the University as necessary.

Summary of Significant Accounting Policies

The financial statements of the OPEB plans are reported using the accrual basis of accounting. Contributions are recorded when earned and expenses, including benefits and refunds paid, are recorded when a liability is incurred, regardless of the timing of cash flows. Investments are reported at fair value.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

The financial position of each of the State's OPEB plans is as follows:

Statement of Plan Net Assets						
(dollars in thousands)						
	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Healthcare	Life Insurance	Income		
ASSETS						
Pooled Cash and Investments	\$121					\$554
Investments, at Fair Value						
Fixed Income Securities						9,615
Equity Securities						8,482
Total Assets	<u>\$121</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,651</u>
LIABILITIES						
Deferred Revenue	\$121					
Total Liabilities	<u>\$121</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0</u>
NET ASSETS						
Net Assets Held in Trust for OPEB						18,651
Total Net Assets						<u>\$18,651</u>

Statement of Changes in Plan Net Assets	
(dollars in thousands)	
	University of Idaho Plan
ADDITIONS	
Employer Contributions	\$500
Interest	392
Net Increase (Decrease) in Fair Value of Investments	458
Total Additions	<u>1,350</u>
DEDUCTIONS	
Realized Loss on Investments	567
Total Deductions	<u>567</u>
Net Increase in Plan Net Assets	783
Net Assets, Beginning of Year	<u>17,868</u>
Net Assets, End of Year	<u>\$18,651</u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Annual OPEB Cost

The Annual OPEB Cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer. The following table illustrates the annual

OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO) and the NOO (funding excess) for the current year:

Annual OPEB Cost and Net OPEB Obligation
(dollars in thousands)

	Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
		Healthcare	Life Insurance	Income		
Annual Required Contribution	\$ 3,729	\$ 1,285	\$ 720	\$ 781	\$ 3,058	\$ 4,806
Interest on NOO	1,129	66	(17)	(17)	315	
Adjustment to ARC	(1,643)	(95)	25	24	(458)	
Total Annual OPEB Cost	3,215	1,256	728	788	2,915	4,806
Contributions Made	(3,032)	(1,145)	(815)	(650)	(542)	(5,201)
Increase (Decrease) in NOO	183	111	(87)	138	2,373	(395)
NOO (Funding Excess) – Beginning of Year	28,066	1,625	(417)	(414)	7,875	(1,471)
NOO (Funding Excess) – End of Year	<u>\$ 28,249</u>	<u>\$ 1,736</u>	<u>\$ (504)</u>	<u>\$ (276)</u>	<u>\$ 10,248</u>	<u>\$ (1,866)</u>

Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed and the

NOO (funding excess) for the current and prior two years.

Annual OPEB Cost and Net OPEB Obligation Comparison
(dollars in thousands)

		Retiree Healthcare Plan	Long-Term Disability Plan			Retiree Life Insurance Plan	University of Idaho Plan
			Healthcare	Life Insurance	Income		
Annual OPEB Cost	2010	\$ 2,685	\$ 1,602	\$ 696	\$ 892	\$ 2,744	\$ 5,863
	2011	3,236	1,202	719	729	2,802	5,250
	2012	3,215	1,256	728	788	2,915	4,806
Percentage of AOC Contributed	2010	58.6%	55.7%	107.5%	79.7%	31.3%	116.3%
	2011	44.6%	85.1%	148.8%	97.8%	19.5%	107.0%
	2012	94.3%	91.2%	112.0%	82.5%	18.6%	108.2%
NOO (Funding Excess) – End of Year	2010	\$ 26,274	\$ 1,446	\$ (66)	\$ (430)	\$ 5,618	\$ (1,101)
	2011	28,066	1,625	(417)	(414)	7,875	(1,471)
	2012	28,249	1,736	(504)	(276)	10,248	(1,866)

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Funded Status and Funding Progress

The following table illustrates the funded status and the funding progress for the State as an employer:

Funded Status and Funding Progress (dollars in thousands)						
	Retiree Healthcare Plan*	Long-Term Disability Plan Life			Retiree Life Insurance Plan*	University of Idaho Plan
	7/1/2010	Healthcare*	Insurance*	Income*	7/1/2010	7/1/2011
Actuarial Valuation Date	7/1/2010	7/1/2010	7/1/2010	7/1/2010	7/1/2010	7/1/2011
1 Actuarial Value of Assets	\$0	\$0	\$0	\$0	\$0	\$21,753
2 Actuarial Accrued Liability (AAL)	23,508	8,390	8,753	4,689	39,161	73,240
3 Unfunded AAL (UAAL) (2) - (1)	\$23,508	\$8,390	\$8,753	\$4,689	\$39,161	\$51,487
4 Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%	0.0%	29.7%
5 Annual Covered Payroll	\$755,116	\$755,116	\$755,116	\$755,116	\$253,915	\$123,237
6 UAAL as a Percentage of Covered Payroll (3) : (5)	3.11%	1.11%	1.16%	0.62%	15.42%	41.78%

*The UAAL was evaluated as of 7/1/2011

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the

time of each valuation and on the pattern of sharing costs between the employer and plan members.

The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The following table presents the significant methods and assumptions for all plans:

Significant Methods and Actuarial Assumptions						
	Retiree Healthcare Plan	Long-Term Disability Plan Life			Retiree Life Insurance Plan	University of Idaho Plan
	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Actuarial Cost Method	Level	Level	Level	Level	Level	Level
Amortization Method	Percentage of Payroll	Percentage of Payroll	Percentage of Payroll	Level Dollar	Percentage of Payroll	Level Dollar
Amortization Period	11 years, Closed	30 years, Open	30 years, Open	8 years, Closed	30 years, Open	30 years, Open
Asset Valuation Method	N/A	N/A	N/A	N/A	N/A	Fair Market Value
Assumptions:						
Inflation Rate	3.00%	3.00%	3.00%	3.00%	3.00%	N/A
Investment Return	4.00%	4.00%	4.00%	4.00%	4.00%	6.25% *
OPEB Increases	N/A	N/A	N/A	N/A	N/A	N/A
Projected Salary Increases	3.50%	3.50%	3.50%	3.50%	3.50%	3.00%
Healthcare Cost Initial Trend Rate	10.00%	10.00%	N/A	N/A	N/A	9.50%
Healthcare Cost Ultimate Trend Rate	5.00%	5.00%	N/A	N/A	N/A	5.00%

* The discount rate is based upon the University's historical and long-term expected investment return.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 9. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Group Insurance and Risk Management internal service funds and various outside entity insurance providers.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs which are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 6.6 percent of the annual premiums for medical, 5.8 percent for dental, and 10 percent for life and disability coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. Policy claim liabilities are composed of the amounts required to fund any additional payments of life, health, and disability premiums. The liabilities include an estimate for claims that have been incurred but not reported and are net of any contractual adjustments and coordination of benefits. The fiscal year 2012 refund reflects a favorable claims experience. Unpaid claim liabilities at fiscal year-end of \$2.8 million for Group Insurance are not discounted. The State maintains program and premium stabilization balances; these amounts are included with restricted net assets in the Group Insurance fund.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the Idaho Tort

Claims Act maximum of \$500,000 for each occurrence. Property damage claims are self-insured for up to \$250,000 per occurrence annually. Physical damage to covered vehicles is self-insured for actual cash value. The State purchases commercial insurance for claims not self-insured by the above coverages and for other identified risks of loss, including workers' compensation insurance.

Estimated liabilities for Risk Management include claims that have been incurred but not reported; incremental claim adjustment expenses related to specific claims; claim adjustment costs, both allocated and unallocated; and any anticipated subrogation receipts. The State records its Risk Management premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. At fiscal year-end \$13.7 million of unpaid claim liabilities for Risk Management are recorded at the present value of \$12.7 million, using a 3.5 percent discount interest rate.

All state entities may participate in the Group Insurance and Risk Management programs. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claim settlements have not exceeded insurance coverage for each of the past three fiscal years. Liabilities are reported when the occurrence of loss is probable and the amount of the loss can be reasonably estimated. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered.

Changes in policy claim liabilities are as follows (*dollars in thousands*):

	Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimate	Claims (Payments) Refunds	Ending Balance
Group Insurance	2011*	\$ 4,230	\$ 3,127	\$ (5,176)	\$ 2,181
	2012	\$ 2,181	\$ (4,183)	\$ 4,795	\$ 2,793
Risk Management	2011	\$ 14,107	\$ 2,089	\$ (4,508)	\$ 11,688
	2012	\$ 11,688	\$ 5,892	\$ (4,923)	\$ 12,657

*As restated

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 10. LEASES

A. State as Lessee

The State leases land, buildings, docks, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases do not qualify for capitalization. Therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating lease payments are recorded as expenditures or expenses of the

related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2012 were \$27.8 million for the primary government. Operating leases contain various renewal options, as well as some purchase options.

Capital Leases

The State has entered into capital leases that are, in substance, a purchase. At the date of acquisition the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized. Amortization of assets acquired under capital lease is included with depreciation expense.

Assets under capital lease are as follows (*dollars in thousands*):

<u>Asset Class</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Land	\$187		\$187
Buildings and Improvements	34,651	\$7,764	42,415
Machinery, Equipment, and Other	1,475	3,219	4,694
Accumulated Depreciation	(4,199)	(6,407)	(10,606)
Total Assets under Capital Leases	<u>\$32,114</u>	<u>\$4,576</u>	<u>\$36,690</u>

Future minimum lease commitments for noncancelable operating and capital leases are as follows (*dollars in thousands*):

Fiscal Year	<u>Operating Leases</u>	<u>Capital Leases</u>			
	Primary Government	Governmental Activities	Business-Type Activities With Third Parties	Business-Type Activities With Component Units	Total Primary Government
2013	\$26,937	\$3,606	\$332	\$431	\$4,369
2014	20,367	3,618	197	429	4,244
2015	17,241	3,557	20	432	4,009
2016	14,083	3,281	20	433	3,734
2017	11,870	3,300	10	416	3,726
2018 - 2022	21,675	16,544			16,544
2023 - 2027	513	15,097			15,097
2028 - 2032	456	5,471			5,471
Total Payments	<u>\$113,142</u>	<u>54,474</u>	<u>579</u>	<u>2,141</u>	<u>57,194</u>
Executory Costs		(11,253)			(11,253)
Imputed Interest		(14,254)	(40)	(364)	(14,658)
Total Present Value of Minimum Lease Payments		<u>\$28,967</u>	<u>\$539</u>	<u>\$1,777</u>	<u>\$31,283</u>

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

B. State as Lessor

Operating Leases

Non-state parties rent land, buildings, machinery and equipment, and improvements other than buildings under operating leases from the State.

Capital Leases

The Boise State University Foundation, a component unit, leases a building to Boise State University. The

lease agreement does not specify a final lease term; at the end of the lease, the Foundation will either donate the building to the University or continue to lease the building for \$1 annually. The capital lease receivable is on the balance sheet as part of due from primary government and is valued at the net investment in direct financing lease.

The State leased the following assets under operating leases (*dollars in thousands*):

Asset Class	Primary Government
Land	\$1,438
Buildings and Improvements	22,846
Improvements Other Than Buildings	263
Machinery, Equipment, and Other	1,198
Accumulated Depreciation	(2,276)
Total Assets Held for Lease	<u>\$23,469</u>

Future minimum rentals for operating leases and future minimum lease payments receivable for capital leases are as follows (*dollars in thousands*):

	Operating Leases	Capital Leases
	Primary Government	Component Unit
Fiscal Year		
2013	\$10,462	\$431
2014	4,472	429
2015	3,875	432
2016	3,621	433
2017	3,377	416
2018 - 2022	17,805	
2023 - 2027	6,803	
2028 - 2032	5,011	
Total Rentals and Receivables	<u>\$55,426</u>	<u>\$2,141</u>
Net Investment in Direct Financing Lease:		
Minimum Lease Payments Receivable		\$2,141
Unearned Income		(364)
Net Investment in Direct Financing Lease		<u>\$1,777</u>

NOTE 11. SHORT-TERM DEBT

Primary Government

Idaho Code, Section 63-3201, authorizes the State Treasurer, upon approval of the State Board of Examiners, to borrow money in anticipation of current-year tax receipts. The State uses external tax anticipation notes to cover the shortfall between General

Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors affecting the timing of receipts; such factors are the collection of individual income taxes in April, large sales

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. During fiscal year 2012 the State anticipated that 49.7 percent of General Fund revenues would be received in the first six months; however, disbursements during the same period were expected to account for 67.7 percent of total expenditures, mainly due to public school aid and Health and Welfare expenditures. The notes sold on the open market were issued on July 1, 2011, and were redeemed on June 30, 2012.

Component Units

The Idaho Housing and Finance Association utilizes short-term borrowing in the form of commercial paper to

provide funds to purchase single-family mortgage loans on an interim basis and to finance multi-family construction loans. As of June 30, 2012, the Association has commercial paper outstanding, maturing within 1 to 77 days from date of issue, with a weighted average interest rate of 0.48 percent.

The Idaho Small Employer Health Reinsurance Program has a \$0.8 million line-of-credit commitment from a local bank. Interest on the advances is payable monthly at prime rate plus 1.25 percent per annum and was 4.5 percent as of December 31, 2011. The line matures November 2, 2012, and is not secured.

Short-term debt activity was as follows (*dollars in thousands*):

	Balances at July 1, 2011	Issued/Draws	Redeemed/ Repayments	Balances at June 30, 2012
Primary Government				
Governmental Activities:				
External Tax Anticipation Notes	\$0	\$500,000	(\$500,000)	\$0
Component Units				
Commercial Paper	\$50,000	\$259,300	(\$259,300)	\$50,000
Line of Credit	\$0	\$393	(\$393)	\$0

NOTE 12. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Primary Government

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Employees earn vacation based on hours worked and years of service; compensatory time earned is based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued in the government-wide, proprietary, and fiduciary fund financial statements for all vacation pay and compensatory time when incurred. The liability is based on the pay rate in effect at the balance sheet date. The State assumes a first-in, first-out flow for compensated absence balances.

Idaho Code, Section 67-5333, establishes the policy for sick leave benefits. The State does not pay amounts for accumulated sick leave when employees separate from

service. Therefore, the State does not accumulate a liability for sick leave. However, upon retirement 50 percent of an employee's unused sick leave value (not to exceed 600 hours) may be used to purchase health insurance for the retiree.

Credited Hours of State Service		Maximum Allowable Hours
0–10,400	(0-5 years)	420
10,401–20,800	(5-10 years)	480
20,801–31,200	(10-15 years)	540
31,201+	(15 years or more)	600

The health insurance premiums are funded by remitting 0.65 percent of payroll to the Sick Leave Insurance Reserve fund administered by the Public Employee Retirement System of Idaho. A compensated absences liability is recorded for the actuarial accrued unfunded liability on the government-wide statements and as of June 30, 2012, was \$14.3 million.

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Revenue Bonds***Primary Government***

The Idaho State Building Authority is authorized by Idaho Code, Title 67, Chapter 64, to issue bonds to finance construction, restoration, or acquisitions of facilities for lease to state agencies per prior legislative approval. Bonds are direct obligations of the Authority. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds except the Series 2008A bonds, for which the Authority has a funded debt service reserve. No amounts were outstanding at June 30, 2012, under these surety bonds.

The State's colleges and universities have a number of outstanding bonds for the primary purpose of funding various construction projects. University bonds are secured by student fees, the sale of goods and services, grants, contributions, and certain other revenues. The colleges and universities issued \$576.0 million in bonds between 1998 and 2012. Annual principal and interest payments on the bonds are expected to require 11.2 percent of the revenues. The total principal and interest payments remaining on the bonds are \$779.6 million, payable through 2042. For the current year, principal and interest payments and total pledged revenues were \$35.6 million and \$318.2 million, respectively.

The Idaho Water Resource Board within the Department of Water Resources is authorized to issue and sell revenue bonds under provisions of Idaho Code, Sections 42-1739 through 42-1749. Bonds in the original amount of \$5.3 million are outstanding and secured by revenues derived from the generation of hydroelectric power, a mortgage, the assignment of water rights, and by a reserve fund with the trustee bank. The reserve requirement is equal to the lesser of 125 percent of the annual debt service, the maximum annual debt service, or 10 percent of the outstanding principal of the bonds. An amount equal to 125 percent of the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline is out of service and unable to generate revenue. These bonds are not considered general obligations of the State. Total principal and interest remaining on the bonds is \$4.2 million, payable through 2019. Annual principal and interest payments on the bonds are expected to require 65 percent of the revenues. For the current year, principal and interest payments and total pledged

revenues were \$0.6 million and \$0.9 million, respectively.

Component Units

The Idaho Housing and Finance Association is authorized to issue and sell revenue bonds under provisions of Idaho Code, Sections 67-6201 through 67-6226. The Association issued bonds to finance various single and multi-family housing developments, the construction of highway transportation projects, and to refinance a note for unemployment compensation benefits. The bonds are either special or general obligations of the Association and do not constitute a debt of the State or any of its political subdivisions. The bonds have been issued in a variable rate mode. The bulk of the bonds are re-marketed on a weekly basis at the prevailing interest rates. The multi-family housing bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The transportation and unemployment benefits bonds are secured by principal and interest payments from the Idaho Transportation Department and the Idaho Department of Labor.

The State's college and university foundations have a number of bonds outstanding for the purpose of funding construction projects. Foundation bonds are secured by various revenue sources, including leases, donations, pledges, and other funds. The college and university foundations issued \$27.0 million in bonds between 2001 and 2002. The total principal and interest payments remaining on the bonds are \$8.1 million, payable through 2021. Annual principal and interest payments on the bonds are expected to require 105.2 percent of the revenues. For the current year, principal and interest payments and total pledged revenues were \$0.5 million and \$0.5 million, respectively.

The Idaho Bond Bank Authority is authorized to issue and sell revenue bonds under provisions of the Idaho Constitution, Article VIII, Section 2A, and Idaho Code, Sections 67-8701 through 67-8729. The bonds are used by the Authority to make loans to Idaho cities in order to finance the construction of public water and/or sewer improvements. The bonds are limited obligations of the Authority and do not constitute a debt of the State or any of its political subdivisions.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Revenue bond debt service requirements to maturity are as follows (*dollars in thousands*):

Fiscal Year Ending June 30	Primary Government							
	Governmental Activities		Business-Type Activities					
	Nonmajor		College and				Total	
	Special Revenue		University		Loan			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$26,160	\$9,801	\$15,085	\$21,590	\$400	\$198	\$41,645	\$31,589
2014	25,880	9,300	15,725	20,870	425	175	42,030	30,345
2015	18,970	6,590	16,670	20,098	450	151	36,090	26,839
2016	7,690	6,001	17,520	19,346	475	125	25,685	25,472
2017	8,005	5,683	16,045	18,552	500	98	24,550	24,333
2018-2022	46,545	22,681	85,635	80,459	1,090	104	133,270	103,244
2023-2027	39,950	11,314	72,590	61,517			112,540	72,831
2028-2032	7,710	7,110	68,790	45,740			76,500	52,850
2033-2037	14,105	4,369	79,540	28,321			93,645	32,690
2038-2042	12,229	1,141	65,225	10,244			77,454	11,385
Total	\$207,244	\$83,990	\$452,825	\$326,737	\$3,340	\$851	\$663,409	\$411,578
Interest Rate	0.15% to 5.98%		2.00% to 6.52%		5.46% to 6.28%			

Fiscal Year Ending June 30	Component Units							
	Idaho Housing and		College and University		Idaho Bond Bank		Total	
	Finance Association		Foundations		Authority			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$265,945	\$61,981	\$1,415	\$265	\$8,690	\$11,925	\$276,050	\$74,171
2014	93,650	56,296	2,528	149	10,360	11,771	106,538	68,216
2015	98,640	52,366	460	82	10,945	11,383	110,045	63,831
2016	104,430	48,014	855	62	11,155	10,973	116,440	59,049
2017	61,910	44,622	875	41	11,045	10,561	73,830	55,224
2018-2022	323,575	186,889	5,065	35	69,195	45,167	397,835	232,091
2023-2027	381,045	120,590			75,405	27,994	456,450	148,584
2028-2032	385,205	43,657			43,320	12,177	428,525	55,834
2033-2037	237,935	17,802			19,105	5,819	257,040	23,621
2038-2042	111,720	4,146			11,944	1,231	123,664	5,377
Total	\$2,064,055	\$636,363	\$11,198	\$634	\$271,164	\$149,001	\$2,346,417	\$785,998
Interest Rate	0.00% to 7.52%		*0.17% to 5.35%		2.00% to 6.25%			

*Interest for the ISU Foundation is re-marketed at the Weekly Rate.

C. Advance Refundings

Primary Government

During fiscal year 2012 the Idaho State Building Authority issued \$81.3 million in refunding bonds and placed the proceeds into irrevocable trusts sufficient to provide for all future debt service payments on defeased bonds. The refunding resulted in a reduction of debt service requirements by \$11.2 million and an economic gain of \$4.2 million. The related liability was appropriately removed from the financial statements in the year of defeasance.

Boise State University defeased two existing bonds by issuing new bonds and placing part of the proceeds of the general revenue bond into a trust sufficient to pay all future debt service payments on those bonds. The related liability was appropriately removed from the financial statements in the year of defeasance. The refunding resulted in a reduction of debt service requirements by \$1.6 million and an economic gain of \$1.4 million.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

The outstanding debt payable for each defeased debt issue is as follows (*dollars in thousands*):

Issuer	Debt Issue	Amount	Remaining
		Defeased	Liability
Idaho State Building Authority	2003 Series B Bonds	\$4,765	\$4,765
	2003 Series D Bonds	7,640	7,640
	2003 Series E Bonds	5,430	5,430
	2003 Series F Bonds	7,350	7,350
	2003 Series G Bonds	6,280	6,280
	2003 Series H Bonds	6,900	6,900
	2003 Series I Bonds	3,385	3,385
	2003 Series J Bonds	1,435	1,435
Boise State University	2003 General Revenue Bond	4,030	4,030
	2004 General Revenue Bond	13,470	13,470

D. Notes Payable

Primary Government

The Idaho Transportation Department financed the improvement of various roads and related infrastructure within the State through the issuance of \$622.7 million in notes payable to the Idaho Housing and Finance Association. The notes are related to GARVEE bonds issued by the Association and will be repaid by grant revenues received by the Department from the Federal Highway Administration and by matching state funds. Annual principal and interest payments on the notes are expected to require 13.8 percent of the revenues. The total principal and interest payments remaining on the notes are \$807.4 million, payable through 2029. For the current year, principal and interest payments and total pledged revenues were \$46.8 million and \$338.6 million, respectively. The amount of the balance owing does not equal the amount of the receivable recorded by the Association due to the timing of principal and interest payments.

The Idaho State Building Authority issued a \$1.7 million note payable during 2009. The note is payable from and secured by a pledge of lease revenues, other funds, and reserves held.

The Department of Administration purchased operating and capital equipment through the issuance of a note payable for \$3.8 million in 2004.

The State's colleges and universities refinanced various notes payable by issuing new notes payable. The notes are secured by student fees revenues. Lewis-Clark State College issued \$7.7 million in notes payable between

2010 and 2012. Annual principal and interest payments on the notes are expected to require 41.8 percent of the revenues. The total principal and interest remaining on the notes is \$6.5 million, payable through 2017. For the current year, principal and interest payments and net pledged revenues were \$0.5 million and \$1.1 million, respectively.

The Department of Labor issued \$187.6 million in notes payable to the Idaho Housing and Finance Association. The note was issued to refinance the existing notes payable to the federal government for the deficit in the Unemployment Trust Fund that occurred in 2009 and 2010. The fund's unemployment insurance receipts had fallen short of the amount needed to pay the prior year unemployment benefits.

The Idaho Lottery purchased capital equipment through the issuance of a note payable for \$70 thousand in 2012.

Component Unit

The Idaho Housing and Finance Association issued notes payable for the construction and purchase of affordable multi-family housing complexes. The notes are secured by the deeds of trust on the buildings and equipment or an assignment or pledge of purchase rights for security purposes.

The BSU Foundation issued a \$2.0 million note payable to a large healthcare organization. The proceeds were invested and the investment earnings will generate scholarships for health science students.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Note debt service requirements to maturity are as follows (*dollars in thousands*):

Fiscal Year Ending June 30	Primary Government Governmental Activities							
	Nonmajor				Total			
	Transportation		Special Revenue		Internal Service			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$21,879	\$27,777	\$82	\$83	\$166	\$160	\$22,127	\$28,020
2014	22,711	26,950	91	74	187	151	22,989	27,175
2015	23,654	26,004	96	69	210	140	23,960	26,213
2016	24,703	24,954	102	63	234	129	25,039	25,146
2017	25,813	23,849	107	58	261	116	26,181	24,023
2018-2022	149,282	98,982	632	191	1,775	328	151,689	99,501
2023-2027	190,215	56,122	305	25	228	5	190,748	56,152
2028-2032	62,080	2,423					62,080	2,423
Total	\$520,337	\$287,061	\$1,415	\$563	\$3,061	\$1,029	\$524,813	\$288,653
Interest Rate	2.00% to 6.35%		5.52%		5.34%			

Fiscal Year Ending June 30	Business-Type Activities							
	College and University		Unemployment Compensation		Nonmajor Enterprise Funds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$3,166	\$638	\$43,425	\$6,709	\$22	\$3	\$46,613	\$7,350
2014	6,138	506	46,130	5,372	23	2	52,291	5,880
2015	3,078	273	47,940	3,399	21	1	51,039	3,673
2016	3,102	147	50,075	1,165			53,177	1,312
2017	1,612	23					1,612	23
2018-2022	13	1					13	1
Total	\$17,109	\$1,588	\$187,570	\$16,645	\$66	\$6	\$204,745	\$18,239
Interest Rate	2.47% to 8.50%		2.00%		5.75%			

Fiscal Year Ending June 30	Component Units					
	Idaho Housing and Finance Association		College and University Foundations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$1,680	\$1,056		\$20	\$1,680	\$1,076
2014	1,210	1,001		20	1,210	1,021
2015	1,270	941		20	1,270	961
2016	1,334	877		20	1,334	897
2017	1,402	809	\$2,000	20	3,402	829
2018-2022	6,507	3,055			6,507	3,055
2023-2027	5,696	1,685			5,696	1,685
2028-2032	2,071	610			2,071	610
2033-2037	1,634	293			1,634	293
2038-2042	824	80			824	80
2043-2047	449	26			449	26
2048-2052	1,442	5			1,442	5
Total	\$25,519	\$10,438	\$2,000	\$100	\$27,519	\$10,538
Interest Rate	0.00% to 9.13%		1.00%			

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

E. Claims and Judgments***Primary Government***

Claims and judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State recorded the following claims and judgments:

The Department of Health and Welfare estimates Medicaid claims incurred in fiscal year 2012 but not reported at year end in the amount of \$149.8 million.

The Idaho Transportation Department experienced contractor claims for reimbursement of additional expenses incurred for the performance of construction contract requirements. The State recorded a liability of \$1.1 million.

The Department of Environmental Quality entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State to match 10 percent of federal funds spent on actual remediation work and to meet all costs of future site operation and maintenance costs. The December 2011 amended remediation cost estimate was \$140.7 million, which was measured using the expected cash flow technique. The State's share was \$14.1 million. The State has expended \$15.3 million toward the required match leaving an overpayment of the match liability of \$1.2 million. The contract work was completed during fiscal year 2008. The State has taken ownership of 1,400 acres of remediated and unremediated land with approximately 400 additional acres yet to be transferred from the EPA to the State. The land's value has not been established and has development limitations which may reduce property values.

In August 2002, the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The current estimate of the remediation cost is \$310.0 million; Idaho's match is 10 percent or \$31.0 million, which was measured using the expected cash flow technique. The State has expended \$2.7 million toward the required match, leaving a liability of \$28.3 million; Washington State will match the remainder of the liability. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment due to changes in prices, technology, laws, regulations, and other factors. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project. The present value of operational and maintenance costs are estimated at \$41.0 million.

Component Units

The component units recorded the following claims and judgments:

The Idaho Housing and Finance Association had an estimated arbitrage rebate liability of \$2.7 million.

The Petroleum Clean Water Trust Fund had policy claim liabilities of \$5.7 million for unpaid losses and loss adjustments.

The Idaho Individual High-Risk Reinsurance Pool and the Idaho Small Employer Reinsurance Program had policy claim liabilities of \$3.5 million for unpaid claims.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

F. Changes in Long-Term Liabilities

The changes in long-term liabilities are summarized as follows (*dollars in thousands*):

Long-Term Liabilities	Balances at July 1, 2011 As Restated	Increases	Decreases	Balances at June 30, 2012	Amounts Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds	\$233,040	\$81,280	(\$107,076)	\$207,244	\$26,160
(Premiums)/Discounts/Other	206	(453)	109	(138)	
Notes Payable	4,709		(233)	4,476	248
Notes Payable to Component Unit	475,355	64,939	(19,957)	520,337	21,879
Total Bonds and Notes Payable	713,310	145,766	(127,157)	731,919	48,287
Capital Leases	32,761	58	(3,852)	28,967	1,547
Compensated Absences	61,095	48,654	(46,974)	62,775	48,470
Policy Claim Liabilities	13,869	10,687	(9,106)	15,450	7,043
Claims and Judgments	180,773	150,910	(153,510)	178,173	151,461
Net Pension Obligation	12,508	3,061	(1,973)	13,596	
Net OPEB Obligation	23,851	4,178	(3,309)	24,720	
Total Governmental Activity	\$1,038,167	\$363,314	(\$345,881)	\$1,055,600	\$256,808
Business-Type Activities:					
Revenue Bonds	\$458,535	\$33,330	(\$35,700)	\$456,165	\$15,485
(Premiums)/Discounts	(904)	2,079	(227)	948	(137)
Notes Payable	214,145	7,999	(204,969)	17,175	3,188
Notes Payable to Component Unit		187,570		187,570	43,425
Total Bonds and Notes Payable	671,776	230,978	(240,896)	661,858	61,961
Capital Leases	271	555	(287)	539	307
Capital Leases to Component Unit	2,082		(305)	1,777	325
Compensated Absences	21,041	22,543	(20,936)	22,648	22,648
Net OPEB Obligation	13,707	3,284	(1,478)	15,513	
Other Long-Term Liabilities	416	217		633	
Total Business-Type Activity	\$709,293	\$257,577	(\$263,902)	\$702,968	\$85,241
Component Units:					
Revenue Bonds	\$2,369,761	\$304,649	(\$327,993)	\$2,346,417	\$276,050
(Premiums)/Discounts	22,697	23,129	(7,933)	37,893	778
Notes Payable	25,019	3,923	(1,423)	27,519	1,680
Total Bonds and Notes Payable	2,417,477	331,701	(337,349)	2,411,829	278,508
Policy Claim Liabilities	9,793	12,590	(13,147)	9,236	5,162
Claims and Judgments	3,457		(708)	2,749	
Total Component Unit Activity	\$2,430,727	\$344,291	(\$351,204)	\$2,423,814	\$283,670

Internal service funds predominantly serve the governmental funds. Accordingly, \$3.1 million of notes payable, \$0.3 million of capital leases, \$0.8 million of compensated absences, \$15.5 million of policy claim liabilities, and \$0.3 million of net OPEB obligations were included in the governmental activities for internal service fund liabilities.

In the past the compensated absences liability attributable to governmental activities has been liquidated by the General Fund, special revenue funds, and internal service funds. Primarily, the same funds

that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; claims and judgments will be liquidated by the Health and Welfare and Transportation special revenue funds, and nonmajor special revenue funds; the net pension obligation will be liquidated by the General Fund; the net OPEB obligation will be liquidated by the General Fund, Health and Welfare and Transportation special revenue funds, nonmajor special revenue funds, and internal service funds.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

G. Conduit Debt

Primary Government

The Idaho Water Resource Board has outstanding revenue bonds for the promotion, construction, rehabilitation, and repair of water projects. The bonds are secured by the financed property and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, agency thereof, or of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. Seven series of Water Resource bonds that qualified as conduit debt are outstanding with an aggregate principal amount payable of \$89.0 million.

Component Unit

The Idaho Housing and Finance Association has outstanding bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the financed property and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the individuals served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as Association liabilities. Thirty-five series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of \$212.2 million.

NOTE 13. EQUITY

A. Restatement of Beginning Fund Balances and Net Assets

The beginning fund balance of the General Fund decreased by \$5.3 million, due to a restatement of the unclaimed property liability.

The beginning fund balance of the Health and Welfare fund increased by \$22.2 million due to a prior-period restatement of revenue.

The beginning net assets of the internal service funds increased by \$5.2 million, due to a restatement of policy claim liabilities.

The government-wide Statement of Activities includes the above restatements in the Governmental Activities column. In addition, Governmental Activities beginning net assets decreased by \$26.8 million due to a restatement of the prior year's interest payable; decreased by \$113.9 million due to adjustments to infrastructure construction-in-progress; and increased by \$21.4 million because of capitalizing construction costs and capital assets acquired in prior periods.

The State removed the Payroll Clearing Fund, an agency fund. Payroll accrual amounts are reported in the various governmental and proprietary funds.

During fiscal year 2012, the Idaho Housing and Finance Association, a discretely presented component unit, implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of this standard required the Association to restate beginning net assets by a decrease of \$45.0 million.

B. Net Assets Restricted by Enabling Legislation

Net assets are reported as restricted when constraints are placed on net asset use by external parties such as creditors, grantors, contributors, or other governments; or by state law through constitutional provisions or enabling legislation. Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payment of resources and requires that those resources be used only for the purposes stipulated in the legislation.

The government-wide Statement of Net Assets reported restricted net assets of \$2.1 billion for governmental activities, \$901.5 million for business-type activities, and \$482.1 million for component units. These amounts include \$453.3 million of net assets restricted by enabling legislation for governmental activities and \$440.8 million of net assets restricted by enabling legislation for business-type activities.

C. Governmental Fund Balances – Restricted, Committed, and Assigned

The governmental funds report a hierarchy of fund balance classifications based primarily on the extent to which the State is bound to honor limitations on the use of the funds' resources. When a fund has more than one revenue stream, equity is classified according to the materiality of any limitations on the fund.

Restricted fund balances represent those amounts that are legally restricted for specific purposes due to limitations imposed by external parties, such as creditors and grantors, or imposed through constitutional provisions or enabling legislation.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

Committed fund balances represent amounts that can only be used for a specific purpose imposed by formal action of the Legislature and signed by the Governor.

Assigned fund balances represent amounts the government intends to use for a specific purpose but are neither restricted nor committed.

The following schedule presents the nature and purpose of these fund balances at June 30, 2012:

Restricted, Committed, and Assigned Governmental Fund Balances

(dollars in thousands)

Funds	Restricted	Committed	Assigned	Total
General				
Economic Development		\$3,653	\$28,125	\$31,778
Education	\$12,989	84,706	1,480	99,175
Environmental Quality		6,626		6,626
General Government Administrative Costs	4,944		24,692	29,636
Millennium Endowment Fund	147,380			147,380
Municipal Revenue Sharing	19,121			19,121
Opportunity College Scholarships		19,333		19,333
School Building Maintenance and Repair		17,391		17,391
State Building Construction and Maintenance		53,377		53,377
Other Purposes		12	2,974	2,986
Total	\$184,434	\$185,098	\$57,271	\$426,803
Health and Welfare				
Health and Human Services	\$37,892	\$51		\$37,943
Total	\$37,892	\$51	\$0	\$37,943
Transportation and Transportation Infrastructure				
GARVEE Debt Service	\$33,217			\$33,217
Transportation Programs	175,924	\$2,169		178,093
Total	\$209,141	\$2,169	\$0	\$211,310
Land Endowments				
Endowment Fund Beneficiaries	\$191,670			\$191,670
Total	\$191,670	\$0	\$0	\$191,670
Nonmajor Special Revenue				
Agricultural Programs	\$31,856			\$31,856
Corrections	2,906	\$1,749		4,655
Courts	1,456	2,914		4,370
Economic Development	36,619			36,619
Education		2,872		2,872
Employment Administration and Training Programs	18,679	20,683		39,362
Environmental Quality	39,008	21,574	\$2,238	62,820
Professional Licensing and Monitoring	67,940			67,940
Public Recreation	749	22,895		23,644
Public Safety	3,417	8,954		12,371
Soil Conservation Program	10,270			10,270
State Building Debt Service	7,978			7,978
State Land Management	15,260			15,260
Tourism and Promotion	6,199			6,199
Wildlife Management	28,723			28,723
Workers Compensation	25,202			25,202
Other Purposes	450	1,263		1,713
Total	\$296,712	\$82,904	\$2,238	\$381,854

D. Budget Stabilization

The Legislature has the authority to set aside resources through the appropriation process for use in an

emergency or when budgetary imbalances occur. The State has the following budget stabilization arrangements:

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

- The *Higher Education Budget Stabilization Fund* can only be used for the maintenance, use, and support of the colleges and universities subject to appropriation by the Legislature. Idaho Code, Section 33-3726, requires interest earnings from the College and University Fund and other amounts provided for by law to be transferred into the Higher Education Budget Stabilization Fund. As of June 30, 2012, the fund balance was \$368 thousand.
- The *Budget Stabilization Fund* was created to cover General Fund revenue shortfalls, expenses incurred because of a major disaster declared by the Governor, or to provide any appropriated one-time tax relief payments to the citizens of Idaho. Idaho Code, Section 57-814, requires that receipts to the General Fund for the fiscal year just ending that have exceeded the previous fiscal year's receipts by more than 4 percent be transferred to the Budget Stabilization Fund. The transfers should not be more than 1 percent of actual General Fund receipts for the fiscal year just ended. A concurrent resolution by the majority of the Legislature can require the State Controller to reduce the transfer. The balance in the Budget Stabilization Fund shall not exceed more than 5 percent of total General Fund receipts for the fiscal year just ended. Appropriations from the Budget Stabilization Fund are limited to 50 percent after the fund balance has reached the 5 percent of General Fund receipts. The Board of Examiners has authority to transfer unencumbered moneys from the Budget Stabilization Fund to the General Fund, should General Fund moneys be insufficient to meet General Fund appropriations for that same fiscal year. Such transfers are limited to the amount of the insufficiency or one-half of 1 percent, whichever is less. Idaho Code, Section 67-3520, requires certain distributions be made from the cigarette and tobacco product tax revenues, with the remainder transferred to the Budget Stabilization Fund. As of June 30, 2012, the fund balance was \$24.1 million.
- The *Public Education Stabilization Fund* may be used to offset declining distributions from the public school earnings reserve, declining endowment distributions, and shortfalls in discretionary funding as spelled out in Idaho Code, Section 33-1018. The fund may also be used to cover any proportional share of the public schools' General Fund budgetary holdbacks, for state matching funds for the School District Building Fund, or for other purposes as stated in appropriation bills. Any accumulated balance greater than 8.34 percent of the current year's appropriation must be transferred to the Bond Levy Equalization Fund. Additions to the Public Education Stabilization Fund are from interest, transfers, and appropriations. Idaho Code, Section 33-905, requires any excess balance over the amount needed for school building maintenance and discretionary spending be transferred to the Public Education Stabilization Fund. As of June 30, 2012, the fund balance was \$37.0 million.
- Idaho Code, Section 26-31-110, requires that the Mortgage Recovery Fund, part of the Regulatory fund, maintain a minimum balance of \$1.5 million. The Mortgage Recovery Fund account is used to reimburse persons who have been awarded damages resulting from violations of the Idaho Residential Mortgage Practices Act.

NOTE 14. DONOR-RESTRICTED ENDOWMENTS

Primary Government

The Land Endowments fund has a nonexpendable permanent corpus and an earnings reserve account; the earnings reserve is used to receive earnings and to pay beneficiaries and expenses. The Endowment Fund Investment Board (EFIB) invests the revenues generated from the management and/or sale of endowment lands. The Board of Land Commissioners (Land Board) and the EFIB spend the net appreciation and other revenues in accordance with Idaho Code, Title 57, Chapter 7, and Title 67, Chapter 16. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Land Board has set the current distribution policy for the

endowments at 5 percent of the three-year rolling average permanent fund balances. EFIB may adjust the distributions depending on the amount in the earnings reserve accounts, transfers to the permanent funds, and other factors.

The Department of Parks and Recreation has a \$1.0 million donor-restricted endowment for the preservation, operation, and management of the Ritter Island Unit of the Thousand Springs Complex. The Department of Parks and Recreation also has a \$2.2 million donor-restricted endowment for the management of the Trail of the Coeur d'Alenes. Only earnings from investments may be expended by the Idaho Parks and Recreation Board; although no less than 3 percent of the total value of the endowment shall be

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

designated as earnings, even if such designation temporarily reduces the principal. The Board maintains sole discretion in determining the amount of earnings to be distributed to the Department of Parks and Recreation and to be deposited to increase the principal of the endowment. For the fiscal year ended, net appreciation available for expenditure was \$27,157, which is reported in net assets restricted for other purposes.

Component Units

Endowments for the Boise State University Foundation, Eastern Idaho Technical College Foundation, Idaho State University Foundation, Lewis-Clark State College Foundation, and University of Idaho Foundation are managed in accordance with Idaho Code, Title 33, Chapter 50, and rules adopted by their boards as specified below.

The Boise State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation has set a "total return" spending policy that specifies 4 percent of the three-year rolling average of the ending market value of each individual account be made available for expenditure toward the established purpose.

The Eastern Idaho Technical College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of scholarships at the College. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation determines the amount to be paid out as scholarships to the College on an annual basis.

The Idaho State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. Donor-imposed restrictions requiring earnings to be contributed

back to the corpus are not formally complied with by the Foundation. The Foundation addresses this indirectly through the strategy established through its investment and spending policies. The Foundation has a policy of appropriating for annual distribution 4.5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distributions are planned.

The Lewis-Clark State College Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the College. The endowments did not have any net appreciation during the fiscal year for expenditure. Accumulated earnings are reported in net assets restricted for permanent trust-expendable. The Foundation established a spending rate of 4 percent of the five-year rolling average of the market value of each endowment account as of December 31 for each fiscal year. This amount may be reduced if an account has insufficient accumulated earnings to cover the payout.

The University of Idaho Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. The endowments did not have any net appreciation during the fiscal year for expenditure. Unrealized appreciation is included in net assets restricted for permanent trust-nonexpendable. The Foundation has the following two-tier spending policy dependent upon the endowment agreement that exists for each endowment:

1. Endowments with agreements that require reinvestment of all realized capital gains as principal can distribute only realized interest and dividends, and all realized gains are reinvested.
2. For endowments without restrictive reinvestment language, the Board of Directors establishes an annual spending rate. For fiscal year 2012, the spending rate was set at 4.5 percent of the three-year rolling average of the endowment's monthly fair market value. If the total realized dividends, interest, and short-term capital gains are less than the total amount required to make a distribution based on the established spending rate, realized long-term capital gains will be used to make up the shortfall.

NOTE 15. LITIGATION, CONTINGENCIES, COMMITMENTS, AND ENCUMBRANCES

A. Litigation and Contingencies

Primary Government

In November 1998 a Master Settlement Agreement was reached between the five largest tobacco manufacturers and 46 states. Since then more than 40 tobacco

companies have joined the Agreement. Under the terms of the Agreement, the State of Idaho anticipates receiving annual payments in perpetuity, subject to numerous adjustments. The State received cash payments of \$24.9 million during fiscal year 2012. A number of tobacco manufacturers allege that Idaho has

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2012

not diligently enforced the Idaho Master Settlement Agreement Act, and therefore should have one or more of its annual payments eliminated. While Idaho believes the allegations regarding Idaho enforcement are without merit, the litigation, until resolved, threatens one or more future payments.

The State is a defendant in litigation related to a federal case and a state case alleging that the Department of Health and Welfare's reimbursement rates for residential habitation over the last five to eight years violated the Medicaid Act. In the federal case, the U.S. District Court ordered the Department to increase its rates for the services at issue. The Department anticipates submitting a \$12.0 million supplemental appropriation request to pay the reimbursement costs required by the judgment. The case is on appeal and subject to reversal. In the state case, the plaintiffs are seeking \$13.0 million in damages, costs, and attorneys fees. The State believes it has valid defenses against the case.

The State is also a defendant in numerous other legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. The State is unable to estimate the ultimate outcome or liability, if any, in respect to the various proceedings. However, the State believes that any ultimate liability resulting from these suits will not have a material effect on the financial condition of the State.

Idaho Code, Section 33-5303, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. If the State is required to make the bond payment of any school district, the State will redirect distributions normally made to the school district to reimburse the State. As of June 30, 2012, the principal amount of qualified school district bonds outstanding was \$703.9 million, and the interest amount outstanding was \$244.7 million.

Idaho Code, Section 67-8716, requires the State to guarantee the bonds of any municipality qualified by the State Treasurer. If the State is required to make the bond payment of any municipality, the State will redirect distributions normally made to the municipality to reimburse the State. As of June 30, 2012, the Idaho Bond Bank Authority had a principal amount of qualified municipal bonds outstanding of \$271.2 million and the interest amount outstanding was \$149.0 million.

The State receives significant financial assistance from the federal government in the form of grants. The receipt of federal grants is generally conditioned upon

compliance with terms and conditions of the grant agreements and is subject to financial and compliance audits. Questioned costs as a result of these audits may be disallowed after review by federal agencies. The State's opinion is that these questioned costs, if any, will not have a significant effect on the financial position of the State.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The State's opinion is that these refunds, if any, will not have a significant effect on the financial position of the State.

B. Commitments*Primary Government*

The Idaho Transportation Department (ITD) has a total of \$186.9 million in outstanding commitments for infrastructure and \$23.0 million for other capital asset-related construction projects underway at year-end. In addition, the ITD has a commitment to repay the Idaho Housing and Finance Association \$696.8 million in principal and \$402.1 million in interest related to Grant Anticipation Revenue Vehicle (GARVEE) bonds for construction costs to improve and enhance the State's highway infrastructure. To date, the ITD has borrowed \$622.7 million against the total; of that amount, \$102.4 million has been repaid, resulting in a \$520.3 million liability being recorded. Details can be found in Note 12.

The Department of Administration has a total of \$25.3 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The colleges and universities estimate costs of \$39.9 million to complete a variety of capital asset-related construction projects underway at year-end.

The Department of Environmental Quality (DEQ) administers two revolving loan funds. The funds provide financing sources for the construction of publicly owned wastewater and drinking water treatment facilities. The Clean Water Loan fund had loan commitments of \$80.2 million and the Drinking Water Loan fund had commitments of \$29.9 million. These loan commitments will be funded either from new capitalization grants, generally 80 percent federal funds and 20 percent state matching dollars, or from accumulated repayments and investment revenues, which are perpetually appropriated for this purpose. The DEQ has also committed to various contracts addressing pollution remediation, best management practice implementation, and other environmental projects totaling \$5.0 million.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2012

The Department of Correction has a contract with Corrections Corporation of America to operate a 2,080-bed prison. The estimated cost for fiscal year 2013 is \$29.0 million. The Department has a contract until June 30, 2013, with Corizon, Inc. (formerly known as Correctional Medical Services, Inc.) to provide medical services for inmates. The estimated cost for fiscal year 2013 is approximately \$24.0 million. The Department also has a contract with Management and Training Corporation to operate a 432-bed substance abuse treatment prison facility. The Department has committed to pay monthly per diems based on offender count. The fiscal year 2013 estimated cost is \$6.7 million.

The Dairy Products Commission annually commits to participate in a national unified marketing plan for dairy products. The Commission increased its 2012 commitment to nutrition, product, and ingredient manufacturing research and marketing activities to \$8.6 million.

The Department of Parks and Recreation has a total of \$6.6 million in outstanding commitments for capital asset-related construction projects underway at year-end.

The Idaho State Tax Commission entered into a Software Maintenance and Configuration Assistance Agreement to maintain the Commission's GENTAX application. The

agreement is effective through June 30, 2020, with a remaining cost of \$6.3 million.

The Department of Juvenile Corrections contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from \$90 to \$360 per day. The estimated cost for fiscal year 2013 is \$6.2 million.

The Department of Fish and Game has a contract with The Active Network (formerly known as Outdoor Central) to facilitate selling hunting and fishing licenses. The contract will expire in March 2015 and the total remaining cost is \$5.3 million.

The State Lottery maintains a contract with INTRALOT, Inc. through February 18, 2014, to pay 1.98 percent of total net sales and a \$3,466 monthly fee for a wireless tablet-reporting system to be used by Lottery's regional sales representatives.

The Public Employee Retirement System of Idaho has a total of \$471.3 million in outstanding commitments for investments to private equity partnerships.

Component Units

The Idaho Housing and Finance Association has commitments to purchase \$122.3 million of single-family mortgages. The Association has commitments to sell or secure \$118.7 million of single-family mortgages.

C. Encumbrances

Encumbrances within the restricted, committed, and assigned fund balances of the governmental funds are as follows (*dollars in thousands*):

	<u>General Fund</u>	<u>Health and Welfare</u>	<u>Transportation</u>	<u>Nonmajor Governmental</u>
Encumbrances	\$25,779	\$16,422	\$36,464	\$18,867

NOTE 16. SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the following events occurred:

Primary Government

On July 2, 2012, the Office of the State Treasurer issued tax anticipation notes in the amount of \$500.0 million. The notes were issued to cover temporary cash flow shortfalls and to finance the State's daily operations in

anticipation of certain tax revenues of the State to be collected during the fourth quarter of the 2013 fiscal year. The notes mature on June 28, 2013.

In July 2012, Idaho State University issued Series 2012 Bonds in the amount of \$27.5 million. The University will use the revenue to refund certain outstanding bonds in order to achieve debt service savings.

Required Supplementary Information



Sailing
Valley County

Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund and Major Special Revenue Funds
 For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	General			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$1,211,439	\$1,211,439	\$1,211,439	
Individual and Corporate Taxes	1,720,577	1,720,577	1,720,577	
Other Taxes	60,319	60,319	60,319	
Licenses, Permits, and Fees	21,085	21,085	21,085	
Sale of Goods and Services	23,223	23,223	23,223	
Grants and Contributions	17,018	17,018	17,018	
Investment Income	14,957	14,957	14,957	
Tobacco Settlement	24,922	24,922	24,922	
Other Income	36,356	36,356	36,356	
Total Revenues	\$3,129,896	\$3,129,896	3,129,896	
EXPENDITURES				
General Government	\$802,190	\$804,174	699,883	\$104,291
Public Safety and Correction	254,348	256,522	249,047	7,475
Health and Human Services	42,598	42,598	42,555	43
Education	1,692,184	1,702,079	1,659,778	42,301
Economic Development	46,509	47,630	40,945	6,685
Natural Resources	26,087	25,806	29,355	(3,549)
Total Expenditures	\$2,863,916	\$2,878,809	2,721,563	\$157,246
Revenues Over (Under) Expenditures			408,333	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			357	
Transfers In			161,952	
Transfers Out			(864,560)	
Total Other Financing Sources (Uses)			(702,251)	
Revenues and Other Financing Sources Over (Under)			(293,918)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(311,280)	
Changes Affected by Accrued Expenditures			626,577	
Fund Balances - Beginning of Year, as Restated			665,284	
Fund Balances - End of Year			\$686,663	

The accompanying note is an integral part of this financial schedule.

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$62,800	\$62,800	\$62,800		\$224,045	\$224,045	\$224,045	
20,992	20,992	20,992		126,301	126,301	126,301	
168,885	168,885	168,885		6,244	6,244	6,244	
1,342,011	1,342,011	1,342,011		353,158	353,158	353,158	
365	365	365		3,188	3,188	3,188	
15,684	15,684	15,684		2,947	2,947	2,947	
\$1,610,737	\$1,610,737	1,610,737		\$715,883	\$715,883	715,883	
\$3,233	\$3,233	3,163	\$70				
2,263,451	2,309,827	2,150,295	159,532				
				\$909,988	\$911,108	684,569	\$226,539
\$2,266,684	\$2,313,060	2,153,458	\$159,602	\$909,988	\$911,108	684,569	\$226,539
		(542,721)				31,314	
		1,519				13,051	
		610,871				(15,610)	
		(171)				(2,559)	
		612,219				28,755	
		69,498					
		239,590				(13,990)	
		(235,737)				5,064	
		(31,752)				215,594	
		\$41,599				\$235,423	

**Required Supplementary Information
For the Fiscal Year Ended June 30, 2012**

NOTE TO BUDGETARY REPORTING**Budgetary Process and Control**

Budgets are adopted in accordance with Idaho Code, Title 67, Chapter 35. In September of each year, state agencies submit requests for appropriations to the Governor's Office, Division of Financial Management (DFM), so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, the capital projects fund, enterprise funds, internal service funds, earnings of the permanent fund, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis, appropriation equals expenditures which can be made to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature. Appropriations are subject to the provisions of Idaho Code, Title 67, Chapter 36.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The Governor has line item veto power over appropriation bills. Approval by two-thirds of both houses is required to override a governor's veto. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or become law without the Governor's signature within five days after being presented to him, per Idaho Constitution, Article IV, Sections 10 and 11.

Agencies may request additional appropriations for the current year, which may be granted under authority of the Legislature. If expenditures are expected to exceed available cash, the State Board of Examiners (SBE) may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority, which is recorded in the accounting system as a negative supplemental appropriation. The Governor may call extraordinary sessions as provided by Article IV, Section 9, of the Idaho Constitution.

Limitations exist regarding the extent to which management may modify an appropriation. Legislative approval is required for the transfer of appropriations from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per Idaho Code, Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The SBE must approve object transfers.

Idaho Code, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. The DFM and the SBE must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

The General Fund's natural resources function had a negative variance stemming from fire suppression deficiency warrants. This deficit is allowed by statute and will be funded with future appropriations. All other appropriated budgets of the State were within their authorized spending levels.

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are allowed for budgetary control purposes. Fund balances are restricted or committed for obligations incurred for goods or services that have not been received. Encumbrances may be carried over to the next fiscal year with the approval of the DFM. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from generally accepted accounting principles (GAAP). The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations,

Required Supplementary Information For the Fiscal Year Ended June 30, 2012

Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The reconciliation at the bottom of the Budgetary Comparison Schedule shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the Budgetary Comparison Schedule

reflects budgeted revenues as being equal to actual revenues. The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be viewed online at www.sco.idaho.gov. Look under "Accounting" and then "Financial Reports and Public Information."

INFRASTRUCTURE – MODIFIED APPROACH REPORTING

Under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, governments report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the State must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet all of the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets
- Perform condition assessments of eligible assets and summarize the results using a measurement scale
- Annually estimate the cost to maintain and preserve the assets at the condition level established
- Document the condition level at which the assets are being preserved and maintained

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 12,222 lane miles.

Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State's roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using three pavement-condition data elements: International Roughness Index, rutting depth, and pavement distress, collected as follows:

The International Roughness Index (IRI) is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. Idaho has adopted a

roughness index (RI) to correlate the measured IRI of the road surface to a 0.0- 5.0 scale.index, with 0.0 being extremely rough and 5.0 being smooth.

Rutting Depth is a primary indicator of pavement distress caused by fatigue in the roadway wheelpath. The ITD annually collects longitudinal profiles and rutting depths of all pavement management sections statewide.

The ITD uses a Class II-type profilometer to measure IRI and rutting depth. A Profiler Van mounted with a profilometer, laser sensors, and personal computers travels at normal posted speeds and collects and stores road-profile information at one-tenth of a foot intervals.

Pavement Distress (Cracking) is the final important indicator of pavement condition. The Profiler Van used to collect roughness and rutting information also collects video of the entire state highway system each year. The video equipment records images of both the forward facing view and a downward facing view so that pavement distress is easily seen. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each pavement management section. A cracking index (CI) is calculated for each section. The CI rating is very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two functional class categories: interstates and arterials, and collectors. The surface condition is measured by Roughness Index (RI), Rutting Depth, and Crack Index (CI). Each category has its own thresholds, which differ slightly depending on the assigned functional class. The measurement ranges for each of these conditions is shown in the following chart:

Condition: Roughness Index			Condition: Rutting			Condition: Cracking Index		
Pavement Condition	Functional Class		Pavement Condition	Functional Class		Pavement Condition	Functional Class	
	Interstate and Arterials	Collectors		Interstate and Arterials	Collectors		Interstate and Arterials	Collectors
Good	RI > 3.0	RI > 3.0	Good	0.00" - 0.24"	0.00" - 0.49"	Good	CI > 3.0	CI > 3.0
Fair	2.5 ≤ RI ≤ 3.0	2.0 ≤ RI ≤ 3.0	Fair	0.25" - 0.49"	0.50" - 0.99"	Fair	2.5 ≤ CI ≤ 3.0	2.0 ≤ CI ≤ 3.0
Poor	2.0 ≤ RI < 2.5	1.5 ≤ RI < 2.0	Poor	0.50" - 0.74"	1.00" - 1.49"	Poor	2.0 ≤ CI < 2.5	1.5 ≤ CI < 2.0
Very Poor	RI < 2.0	RI < 1.5	Very Poor	≥ 0.75"	≥ 1.50"	Very Poor	CI < 2.0	CI < 1.5

Established Condition Level

The ITD has established the condition level that no more than 30 percent of pavement shall be in poor or very poor condition. In calendar year 2011 the assessed level was maintained at 13 percent. Infrastructure preservation and

restoration is a priority for the State. As a result of this focus, the ITD has provided all available funds to meet these goals.

Assessed Condition Ratings of State Roadways

Most Recent Five Complete Condition Assessments
Percent of Total Lane Miles per Pavement Condition

	2011		2010		2009		2008		2007	
Good	7,748	64%	7,531	63%	7,226	60%	7,401	62%	7,370	62%
Fair	2,849	23%	2,544	21%	2,653	22%	2,203	18%	2,293	19%
Poor	1,451	12%	1,651	14%	1,589	13%	1,779	15%	1,810	15%
Very Poor	174	1%	271	2%	521	5%	561	5%	457	4%
Total Lane Miles	12,222	100%	11,997	100%	11,989	100%	11,944	100%	11,930	100%

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to preserve and maintain the roads at, or above, the established condition level, and the actual amount spent during the past six fiscal years (*dollars in thousands*):

	FY2013	FY2012	FY2011	FY2010	FY2009	FY2008	FY2007
Estimated	\$104,612	\$110,125	\$170,828	\$144,000	\$85,000	\$90,800	\$88,200
Actual		161,290	137,922	111,489	103,720	108,624	79,301

Actual costs were more than estimated costs in fiscal year 2012 by 46.5 percent due to a new transportation asset management system, timing of construction payouts, and new project delivery methods.



**Required Supplementary Information
For the Fiscal Year Ended June 30, 2012**
PENSION – Schedule of Funding Progress
Judges' Retirement Fund (*dollars in thousands*):

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/10	\$ 53,367	\$ 76,100	\$ 22,733	70.1%	\$ 5,645	402.7%
6/30/11	63,140	77,228	14,088	81.8%	5,700	247.2%
6/30/12	60,699	73,656	12,957	82.4%	5,847	221.6%

OTHER POSTEMPLOYMENT BENEFITS
Schedule of Funding Progress (*dollars in thousands*):

OPEB Plan	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
Retiree Healthcare	7/1/2008	0	21,603	21,603	0.0	803,608	2.7 %
	7/1/2010	0	22,551	22,551	0.0	763,295	3.0
	7/1/2011	0	23,508	23,508	0.0	755,116	3.1
Long-Term Disability Healthcare	7/1/2008	0	9,975	9,975	0.0	803,608	1.2
	7/1/2010	0	8,169	8,169	0.0	763,295	1.1
	7/1/2011	0	8,390	8,390	0.0	755,116	1.1
Life Insurance	7/1/2008	0	8,344	8,344	0.0	803,608	1.0
	7/1/2010	0	9,089	9,089	0.0	763,295	1.2
	7/1/2011	0	8,753	8,753	0.0	755,116	1.2
Income	7/1/2008	0	5,813	5,813	0.0	803,608	0.7
	7/1/2010	0	5,208	5,208	0.0	763,295	0.7
	7/1/2011	0	4,689	4,689	0.0	755,116	0.6
Retiree Life Insurance	7/1/2008	0	33,482	33,482	0.0	248,565	13.5
	7/1/2010	0	36,700	36,700	0.0	244,743	15.0
	7/1/2011	0	39,161	39,161	0.0	253,915	15.4
University of Idaho	7/1/2009	13,768	75,973	62,205	18.1	124,584	49.9
	7/1/2010	19,159	74,563	55,404	25.7	121,834	45.5
	7/1/2011	21,753	73,240	51,487	29.7	123,237	41.8

Combining Financial Statements



Rock Climbing
Twin Falls County

NONMAJOR GOVERNMENTAL FUNDS include nonmajor special revenue funds, and a capital projects fund. The following provides a brief description of the nonmajor governmental funds.

NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The Agriculture and Natural Resources Fund accounts for the financial position and operations associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. The major sources of funding are dedicated user fees, the sale of goods and services, and federal grants.

The Regulatory Fund accounts for the financial position and operations associated with various professional licensing and monitoring functions. The major sources of funding are taxes and license fees.

The Fish and Game Fund accounts for the financial position and operations associated with enforcing and administering the fish and game laws in Idaho and perpetuating and managing the State's wildlife resources. The major sources of funding are dedicated user fees and federal grants.

The Federal Fund accounts for a portion of the financial position and operations associated with federal grants received by the State. Some federal grants are included in other funds of the State.

The Federal Stimulus Fund accounts for a portion of the financial position and operations associated with the federal stimulus awards received by the State. Some stimulus awards are included in other funds of the State.

The Miscellaneous Fund accounts for the financial position and operations associated with general government services. The major sources of funding are provided by the sale of goods and services, miscellaneous taxes, and other revenues.

The Building Authority accounts for the financial position and operations associated with the construction and financing of facilities, such as office buildings and parking garages to be used by the State. The major sources of funding are the sale of goods and services and bonds issued. The Building Authority is a blended component unit.

THE CAPITAL PROJECTS FUND accounts for specific revenues that are restricted, committed, or assigned to finance construction of capital assets.

The Transportation Infrastructure Fund accounts for the financial position and operations associated with the construction and financing of roads, bridges, and rest areas. The major sources of funding are provided by federal highway funds and notes issued.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
ASSETS				
Cash and Cash Equivalents	\$4,668	\$2,066		
Pooled Cash and Investments	72,991	53,647	\$11,499	\$15,699
Investments	23,039	16,115	4,966	3,630
Securities Lending Collateral	5,572	6,072	6,194	1,420
Accounts Receivable, Net	2,671	25		138
Taxes Receivable, Net	1,471			
Interfund Receivables	1,250	55	688	253
Due from Other Entities	3,887		7,216	53,619
Inventories and Prepaid Items	2,734	163	6,334	875
Loans, Notes, and Pledges Receivable, Net	6,081		10	
Other Assets	193	79	73	23
Restricted Assets:				
Cash and Cash Equivalents	38,371	914	3,310	29,326
Investments	2,225		10,883	
Total Assets	\$165,153	\$79,136	\$51,173	\$104,983
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$4,219	\$41	\$1,362	\$39,773
Payroll and Related Liabilities	2,666	1,343	2,346	4,146
Interfund Payables	111	7	39	3,478
Deferred Revenue	3,530	750	3,013	21,527
Amounts Held in Trust for Others	515	2,262	5	
Obligations Under Securities Lending	5,572	6,072	6,194	1,420
Other Accrued Liabilities	795	558	215	318
Total Liabilities	17,408	11,033	13,174	70,662
Fund Balances				
Nonspendable:				
Permanent Trusts			2,942	
Inventories and Prepaid Items	2,734	163	6,334	875
Noncurrent Receivables	1,411			
Restricted	96,893	67,940	28,723	33,446
Committed	44,469			
Assigned	2,238			
Total Fund Balances	147,745	68,103	37,999	34,321
Total Liabilities and Fund Balances	\$165,153	\$79,136	\$51,173	\$104,983

Capital Projects				
Federal Stimulus	Miscellaneous	Building Authority	Transportation Infrastructure	Total
		\$1,000		\$7,734
\$444	\$83,491		\$2,173	239,944
	17,739	1,813		67,302
	6,933			26,191
	8,628		4,040	15,502
	1,251			2,722
	110			2,356
224	132			65,078
	1,884			11,990
				6,091
	618	31		1,017
1,889	39	921		74,770
		4,301		17,409
\$2,557	\$120,825	\$8,066	\$6,213	\$538,106
\$217	\$1,140	\$88	\$4,041	\$50,881
	2,288			12,789
118	42			3,795
1,962	8,472			39,254
				2,782
	6,933			26,191
3	156			2,045
2,300	19,031	88	4,041	137,737
				2,942
	1,884			11,990
				1,411
257	61,475	7,978	2,172	298,884
	38,435			82,904
				2,238
257	101,794	7,978	2,172	400,369
\$2,557	\$120,825	\$8,066	\$6,213	\$538,106

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
REVENUES				
Sales Tax	\$4,800			
Other Taxes	36,035	\$64,876		
Licenses, Permits, and Fees	39,092	47,647	\$33,677	
Sale of Goods and Services	3,359	1,141	271	\$440
Grants and Contributions	32,521	188	46,193	469,309
Investment Income	1,709	765	810	314
Other Income	20,308	641		304
Total Revenues	137,824	115,258	80,951	470,367
EXPENDITURES				
Current:				
General Government		3,069		41,038
Public Safety and Correction		2,601		9,182
Education				279,538
Economic Development	43,676	40,535	116	73,782
Natural Resources	65,710	1,086	69,868	6,503
Capital Outlay	4,434	580	8,669	8,101
Intergovernmental Revenue Sharing	11,564			49,199
Debt Service:				
Principal Retirement			455	8
Interest and Other Charges	8	10	377	2
Total Expenditures	125,392	47,881	79,485	467,353
Revenues Over (Under) Expenditures	12,432	67,377	1,466	3,014
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Premium on Bonds Issued				
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets	175	94	933	90
Transfers In	14,917	1	9	
Transfers Out	(4,046)	(62,616)	(136)	(1,360)
Total Other Financing Sources (Uses)	11,046	(62,521)	806	(1,270)
Net Changes in Fund Balances	23,478	4,856	2,272	1,744
Fund Balances - Beginning of Year, as Restated	124,267	63,247	35,727	32,577
Fund Balances - End of Year	\$147,745	\$68,103	\$37,999	\$34,321

Capital Projects				
Federal Stimulus	Miscellaneous	Building Authority	Transportation Infrastructure	Total
				\$4,800
	\$24,142			125,053
	21,728			142,144
	12,454	\$14,905		32,570
\$26,227	(12)			574,426
35	4,496	42	\$9,401	17,572
146	10,369			31,768
26,408	73,177	14,947	9,401	928,333
248	4,572	331		49,258
566	46,201			58,550
263	3,390			283,191
976	23,995		4,767	187,847
16,102	90			159,359
145	2,995	2	67,404	92,330
8,644	8,323			77,730
	2,225	24,296		26,984
	224	11,062		11,683
26,944	92,015	35,691	72,171	946,932
(536)	(18,838)	(20,744)	(62,770)	(18,599)
		81,280	64,939	146,219
		7,219		7,219
		(88,044)		(88,044)
	127			1,419
	27,291			42,218
(264)	(625)			(69,047)
(264)	26,793	455	64,939	39,984
(800)	7,955	(20,289)	2,169	21,385
1,057	93,839	28,267	3	378,984
\$257	\$101,794	\$7,978	\$2,172	\$400,369

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Special Revenue			
	Agriculture and Natural Resources			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax	\$4,800	\$4,800	\$4,800	
Other Taxes	36,178	36,178	36,178	
Licenses, Permits, and Fees	38,330	38,330	38,330	
Sale of Goods and Services	3,373	3,373	3,373	
Grants and Contributions	33,630	33,630	33,630	
Investment Income	1,515	1,515	1,515	
Other Income	19,695	19,695	19,695	
Total Revenues	\$137,521	\$137,521	137,521	
EXPENDITURES				
General Government				
Public Safety and Correction				
Education				
Economic Development	\$50,241	\$50,459	44,449	\$6,010
Natural Resources	105,694	106,393	82,323	24,070
Total Expenditures	\$155,935	\$156,852	126,772	\$30,080
Revenues Over (Under) Expenditures			10,749	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Premium on Bonds Issued				
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets			175	
Transfers In			14,917	
Transfers Out			(4,046)	
Total Other Financing Sources (Uses)			11,046	
Revenues and Other Financing Sources Over (Under)			21,795	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			303	
Changes Affected by Accrued Expenditures			1,380	
Fund Balances - Beginning of Year			124,267	
Fund Balances - End of Year			\$147,745	

continued

Special Revenue							
Regulatory				Fish and Game			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
\$68,838	\$68,838	\$68,838					
47,559	47,559	47,559		\$33,677	\$33,677	\$33,677	
854	854	854		271	271	271	
188	188	188		43,376	43,376	43,376	
376	376	376		537	537	537	
641	641	641		666	666	666	
<u>\$118,456</u>	<u>\$118,456</u>	<u>118,456</u>		<u>\$78,527</u>	<u>\$78,527</u>	<u>78,527</u>	
\$3,069	\$3,069	3,069					
3,159	3,159	2,624	\$535				
46,520	46,608	41,459	5,149	\$216	\$213	111	\$102
1,339	1,339	1,103	236	79,857	89,105	79,740	9,365
<u>\$54,087</u>	<u>\$54,175</u>	<u>48,255</u>	<u>\$5,920</u>	<u>\$80,073</u>	<u>\$89,318</u>	<u>79,851</u>	<u>\$9,467</u>
		<u>70,201</u>				<u>(1,324)</u>	
		94				933	
		1				9	
		<u>(62,616)</u>				<u>(136)</u>	
		<u>(62,521)</u>				<u>806</u>	
		<u>7,680</u>				<u>(518)</u>	
		(3,198)				2,424	
		374				366	
		<u>63,247</u>				<u>35,727</u>	
		<u>\$68,103</u>				<u>\$37,999</u>	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Special Revenue			
	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services	\$319	\$319	\$319	
Grants and Contributions	480,431	480,431	480,431	
Investment Income	280	280	280	
Other Income	187	187	187	
Total Revenues	\$481,217	\$481,217	481,217	
EXPENDITURES				
General Government	\$89,893	\$91,029	56,945	\$34,084
Public Safety and Correction	21,174	23,264	16,847	6,417
Education	323,562	334,981	299,180	35,801
Economic Development	106,716	112,378	94,111	18,267
Natural Resources	20,864	20,864	10,468	10,396
Total Expenditures	\$562,209	\$582,516	477,551	\$104,965
Revenues Over (Under) Expenditures			3,666	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Premium on Bonds Issued				
Payment to Refunded Bond Escrow Agent				
Sale of Capital Assets			90	
Transfers In				
Transfers Out			(1,360)	
Total Other Financing Sources (Uses)			(1,270)	
Revenues and Other Financing Sources Over (Under)			2,396	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues			(10,850)	
Changes Affected by Accrued Expenditures			10,198	
Fund Balances - Beginning of Year			32,577	
Fund Balances - End of Year			\$34,321	

continued

Special Revenue							
Federal Stimulus				Miscellaneous			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
				\$20,484	\$20,484	\$20,484	
				21,686	21,686	21,686	
				9,970	9,970	9,970	
\$26,220	\$26,220	\$26,220		1,024	1,024	1,024	
35	35	35		3,777	3,777	3,777	
146	146	146		10,196	10,196	10,196	
\$26,401	\$26,401	26,401		\$67,137	\$67,137	67,137	
\$369	\$369	163	\$206	\$6,061	\$6,061	5,803	\$258
4,779	4,779	2,197	2,582	62,397	62,534	55,858	6,676
767	945	940	5	5,818	5,818	3,551	2,267
8,595	8,595	7,908	687	33,096	33,105	27,636	5,469
19,161	20,239	16,684	3,555	103	104	89	15
\$33,671	\$34,927	27,892	\$7,035	\$107,475	\$107,622	92,937	\$14,685
		(1,491)				(25,800)	
						127	
						27,291	
		(264)				(625)	
		(264)				26,793	
		(1,755)				993	
		7				6,040	
		948				922	
		1,057				93,839	
		\$257				\$101,794	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Special Revenue Building Authority			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts	
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees				
Sale of Goods and Services	\$14,905	\$14,905	\$14,905	
Grants and Contributions				
Investment Income	42	42	42	
Other Income				
Total Revenues	\$14,947	\$14,947	14,947	
EXPENDITURES				
General Government	\$35,691	\$35,691	35,691	
Public Safety and Correction				
Education				
Economic Development				
Natural Resources				
Total Expenditures	\$35,691	\$35,691	35,691	
Revenues Over (Under) Expenditures			(20,744)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued			81,280	
Premium on Bonds Issued			7,219	
Payment to Refunded Bond Escrow Agent			(88,044)	
Sale of Capital Assets				
Transfers In				
Transfers Out				
Total Other Financing Sources (Uses)			455	
Revenues and Other Financing Sources Over (Under)			(20,289)	
Expenditures and Other Financing Uses				
Reconciling Items				
Changes Affected by Accrued Revenues				
Changes Affected by Accrued Expenditures				
Fund Balances - Beginning of Year			28,267	
Fund Balances - End of Year			\$7,978	

Capital Projects							
Transportation Infrastructure				Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
				\$4,800	\$4,800	\$4,800	
				125,500	125,500	125,500	
				141,252	141,252	141,252	
				29,692	29,692	29,692	
				584,869	584,869	584,869	
\$9,401	\$9,401	\$9,401		15,963	15,963	15,963	
				31,531	31,531	31,531	
\$9,401	\$9,401	9,401		\$933,607	\$933,607	933,607	
				\$135,083	\$136,219	101,671	\$34,548
				91,509	93,736	77,526	16,210
				330,147	341,744	303,671	38,073
\$72,170	\$72,170	72,170		317,554	323,528	287,844	35,684
				227,018	238,044	190,407	47,637
\$72,170	\$72,170	72,170		\$1,101,311	\$1,133,271	961,119	\$172,152
		(62,769)				(27,512)	
		64,939				146,219	
						7,219	
						(88,044)	
						1,419	
						42,218	
						(69,047)	
		64,939				39,984	
		2,170				12,472	
						(5,274)	
		(1)				14,187	
		3				378,984	
		\$2,172				\$400,369	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Major Permanent Fund
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	Land Endowments			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sale of Goods and Services	\$65,551	\$65,551	\$65,551	
Investment Income	12,889	12,889	12,889	
Other Income	8,743	8,743	8,743	
Total Revenues	\$87,183	\$87,183	87,183	
EXPENDITURES				
Natural Resources	\$32,385	\$32,370	28,951	\$3,419
Total Expenditures	\$32,385	\$32,370	28,951	\$3,419
Revenues Over (Under) Expenditures			58,232	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			525	
Transfers Out			(46,425)	
Total Other Financing Sources (Uses)			(45,900)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			12,332	
Reconciling Items				
Changes Affected by Accrued Expenditures			870	
Fund Balances - Beginning of Year			1,267,930	
Fund Balances - End of Year			\$1,281,132	

NONMAJOR ENTERPRISE FUNDS account for those funds that provide goods or services to the general public and finance their operations primarily through user charges. The following provides a brief description of the nonmajor enterprise funds.

The State Lottery Fund accounts for the financial position and operations associated with lottery games. Established by the Legislature in 1988, the State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, to oversee lottery operations, and to maximize the net income of the lottery for the benefit of the State. Annually, on July 1, the State Lottery's surplus net income is distributed evenly between the permanent building account and the school district building account as dictated by Idaho Code, Section 67-7434.

The Correctional Industries Fund accounts for the financial position and operations associated with employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other products and services.

The State Liquor Fund accounts for the financial position and operations associated with the distribution, sale, and consumption of alcoholic beverages. Per Idaho Code, Section 23-404, after deducting administrative and operating costs for the Liquor Division, distributions are made to cities, counties, the General Fund, and various other funds of the State.

Combining Statement of Net Assets

Nonmajor Enterprise Funds

June 30, 2012

(dollars in thousands)

	State Lottery	State Liquor	Correctional Industries	Total
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$2,774		\$138	\$2,912
Pooled Cash and Investments		\$12,335	4,430	16,765
Accounts Receivable, Net	4,661	81	679	5,421
Interfund Receivables			214	214
Inventories and Prepaid Items	175	12,455	1,833	14,463
Other Current Assets		74		74
Total Current Assets	7,610	24,945	7,294	39,849
Noncurrent Assets				
Restricted Cash and Cash Equivalents	40,067			40,067
Other Noncurrent Assets		8	3	11
Capital Assets, Net	296	13,640	2,351	16,287
Total Noncurrent Assets	40,363	13,648	2,354	56,365
Total Assets	\$47,973	\$38,593	\$9,648	\$96,214
LIABILITIES				
Current Liabilities				
Accounts Payable	\$1,223	\$7,645	\$323	\$9,191
Payroll and Related Liabilities	153	497	112	762
Interfund Payables		4,825	15	4,840
Due to Other Entities		7,045		7,045
Other Accrued Liabilities	3,757		148	3,905
Compensated Absences Payable	119	492	133	744
Bonds, Notes, and Capital Leases Payable	38			38
Total Current Liabilities	5,290	20,504	731	26,525
Noncurrent Liabilities				
Bonds, Notes, and Capital Leases Payable	107			107
Other Long-Term Obligations		310	54	364
Total Noncurrent Liabilities	107	310	54	471
Total Liabilities	5,397	20,814	785	26,996
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	151	13,639	2,351	16,141
Restricted for:				
Other Purposes	42,425	4,140	6,512	53,077
Total Net Assets	42,576	17,779	8,863	69,218
Total Liabilities and Net Assets	\$47,973	\$38,593	\$9,648	\$96,214

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	State Lottery	State Liquor	Correctional Industries	Total
OPERATING REVENUES				
Licenses, Permits, and Fees		\$2		\$2
Sale of Goods and Services	\$176,504	150,775	\$8,140	335,419
Other Income	40	41	150	231
Total Operating Revenues	176,544	150,818	8,290	335,652
OPERATING EXPENSES				
Personnel Costs	2,278	9,863	1,986	14,127
Services and Supplies	22,404	80,627	4,386	107,417
Benefits, Awards, and Premiums	108,862			108,862
Depreciation	162	998	366	1,526
Other Expenses	346	4,012	1,292	5,650
Total Operating Expenses	134,052	95,500	8,030	237,582
Operating Income (Loss)	42,492	55,318	260	98,070
NONOPERATING REVENUES (EXPENSES)				
Investment Income	3	123	169	295
Interest Expense	(3)			(3)
Intergovernmental Distributions		(28,145)		(28,145)
Gain (Loss) on Sale of Capital Assets		(11)	1	(10)
Other Nonoperating Revenues (Expenses)			(1)	(1)
Total Nonoperating Revenues (Expenses)		(28,033)	169	(27,864)
Income (Loss) Before Transfers	42,492	27,285	429	70,206
Transfers Out	(37,000)	(27,723)		(64,723)
Change in Net Assets	5,492	(438)	429	5,483
Total Net Assets - Beginning of Year	37,084	18,217	8,434	63,735
Total Net Assets - End of Year	\$42,576	\$17,779	\$8,863	\$69,218

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	State Lottery	State Liquor	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$176,141	\$150,805	\$4,788	\$331,734
Receipts for Interfund Services			3,304	3,304
Payments to Suppliers	(22,525)	(84,154)	(4,985)	(111,664)
Payments to Employees	(2,332)	(9,758)	(1,957)	(14,047)
Payments for Interfund Services		(317)	(93)	(410)
Payments for Benefits, Awards, and Claims	(110,429)			(110,429)
Net Cash Provided (Used) by Operating Activities	40,855	56,576	1,057	98,488
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Distributions		(27,202)		(27,202)
Transfers Out	(37,000)	(30,898)		(67,898)
Net Cash Provided (Used) by Noncapital Financing Activities	(37,000)	(58,100)		(95,100)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Bonds and Notes	70			70
Principal Payments	(45)			(45)
Proceeds from Disposition of Capital Assets			1	1
Interest Payments	(3)			(3)
Acquisition and Construction of Capital Assets	(104)	(3,702)	(356)	(4,162)
Net Cash Provided (Used) by Capital and Related Financing Activities	(82)	(3,702)	(355)	(4,139)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	3	123	169	295
Net Cash Provided (Used) by Investing Activities	3	123	169	295
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	3,776	(5,103)	871	(456)
Beginning Cash, Cash Equivalents, and Pooled Cash	39,065	17,438	3,697	60,200
Ending Cash, Cash Equivalents, and Pooled Cash	\$42,841	\$12,335	\$4,568	\$59,744
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$42,492	\$55,318	\$260	\$98,070
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	162	998	366	1,526
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	(403)	(21)	(198)	(622)
Inventories and Prepaid Items		(599)	257	(342)
Other Assets	(3,097)	9	(2)	(3,090)
Accounts Payable/Interfund Payables	2,087	767	195	3,049
Compensated Absences		35	14	49
Other Accrued Liabilities	(386)	69	165	(152)
Net Cash Provided (Used) by Operating Activities	\$40,855	\$56,576	\$1,057	\$98,488

Noncash Transactions (dollars in thousands):

State Lottery acquired capital assets of \$87 through a capital lease. State Liquor recorded an interfund payable of \$3,175 due on July 1, 2012, and disposed of capital assets at a loss of \$11.

INTERNAL SERVICE FUNDS account for those funds which provide goods or services to state agencies and governmental units on a cost-reimbursement basis. The following provides a brief description of operations included in the internal service funds.

The Group Insurance Fund, created by Idaho Code, Section 67-5771, accounts for health insurance for all state employees and optional coverage for dependents and retirees. The fund also provides life insurance and short and long-term disability coverage.

The Risk Management Fund, created by Idaho Code, Section 67-5776, accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using a combination of self-insurance and insurance purchased from commercial carriers.

The General Services Fund, created by Idaho Code, Sections 67-5703, 67-5744, and 67-3516, accounts for statewide auditing, human resources, treasury, surplus property redistribution and sale, copying, purchasing, mail, and voice and data communication services.

The Data Processing Services Fund, created by Idaho Code, Section 67-1021, accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

Combining Statement of Net Assets

Internal Service Funds

June 30, 2012

(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Pooled Cash and Investments	\$27,980	\$3,022	\$4,829	\$1,976	\$37,807
Securities Lending Collateral	9,061	4,857			13,918
Accounts Receivable, Net			32	1	33
Interfund Receivables	18	7	203	389	617
Inventories and Prepaid Items			1,542	904	2,446
Other Current Assets	106	57	1	1	165
Total Current Assets	37,165	7,943	6,607	3,271	54,986
Noncurrent Assets					
Restricted Cash and Cash Equivalents	28,212				28,212
Investments	23,184	12,428			35,612
Loans, Notes, and Pledges Receivable, Net	95				95
Other Noncurrent Assets			4	2	6
Capital Assets, Net	4	6	16,148	865	17,023
Total Noncurrent Assets	51,495	12,434	16,152	867	80,948
Total Assets	\$88,660	\$20,377	\$22,759	\$4,138	\$135,934
LIABILITIES					
Current Liabilities					
Accounts Payable			\$560		\$560
Payroll and Related Liabilities	\$14	\$20	412	\$198	644
Interfund Payables	13			31	44
Unearned Revenue	12,938		88	410	13,436
Obligations Under Securities Lending	9,061	4,857			13,918
Other Accrued Liabilities	3	1	149		153
Compensated Absences Payable	6	23	540	268	837
Bonds, Notes, and Capital Leases Payable			284		284
Policy Claim Liabilities	2,793	4,250			7,043
Total Current Liabilities	24,828	9,151	2,033	907	36,919
Noncurrent Liabilities					
Bonds, Notes, and Capital Leases Payable			3,069		3,069
Policy Claim Liabilities		8,407			8,407
Other Long-Term Obligations	6	10	180	84	280
Total Noncurrent Liabilities	6	8,417	3,249	84	11,756
Total Liabilities	24,834	17,568	5,282	991	48,675
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	4	6	12,799	866	13,675
Restricted for:					
Claims and Judgments	28,212				28,212
Other Purposes	35,610	2,803	1,924	2,281	42,618
Unrestricted			2,754		2,754
Total Net Assets	63,826	2,809	17,477	3,147	87,259
Total Liabilities and Net Assets	\$88,660	\$20,377	\$22,759	\$4,138	\$135,934

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Sale of Goods and Services	\$173,371	\$4,504	\$21,922	\$7,415	\$207,212
Grants and Contributions	2,536		66		2,602
Other Income		350	39	81	470
Total Operating Revenues	175,907	4,854	22,027	7,496	210,284
OPERATING EXPENSES					
Personnel Costs	271	393	7,868	3,801	12,333
Services and Supplies	277	3,366	13,958	3,074	20,675
Benefits, Awards, and Premiums	203,888	5,892			209,780
Depreciation	1	1	1,483	709	2,194
Other Expenses	145	275	1,585	25	2,030
Total Operating Expenses	204,582	9,927	24,894	7,609	247,012
Operating Income (Loss)	(28,675)	(5,073)	(2,867)	(113)	(36,728)
NONOPERATING REVENUES (EXPENSES)					
Investment Income	1,650	707	46	15	2,418
Interest Expense	(13)	(7)	(523)	(1)	(544)
Gain (Loss) on Sale of Capital Assets			7	(1)	6
Other Nonoperating Revenues (Expenses)			483		483
Total Nonoperating Revenues (Expenses)	1,637	700	13	13	2,363
Income (Loss) Before Transfers	(27,038)	(4,373)	(2,854)	(100)	(34,365)
Transfers In			2,687		2,687
Transfers Out			(368)		(368)
Change in Net Assets	(27,038)	(4,373)	(535)	(100)	(32,046)
Total Net Assets - Beginning of Year, as Restated	90,864	7,182	18,012	3,247	119,305
Total Net Assets - End of Year	\$63,826	\$2,809	\$17,477	\$3,147	\$87,259

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	Group Insurance	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$9,675	\$107
Receipts for Interfund Services	160,129	4,740
Receipts from Grants and Contributions	2,536	
Payments to Suppliers	(267)	(3,457)
Payments to Employees	(281)	(389)
Payments for Interfund Services	(142)	(184)
Payments for Benefits, Awards, and Claims	(203,276)	(4,923)
Net Cash Provided (Used) by Operating Activities	(31,626)	(4,106)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In		
Transfers Out		
Interest Payments		
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments		
Proceeds from Disposition of Capital Assets		
Interest Payments		
Acquisition and Construction of Capital Assets		
Net Cash Provided (Used) by Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	1,306	660
Purchase of Investments	(578)	
Redemption of Investments		3,405
Other Investing Activities	(13)	(7)
Net Cash Provided (Used) by Investing Activities	715	4,058
Net Increase (Decrease) in Cash, Cash Equivalents, and Pooled Cash	(30,911)	(48)
Beginning Cash, Cash Equivalents and Pooled Cash	87,103	3,070
Ending Cash, Cash Equivalents, and Pooled Cash	\$56,192	\$3,022
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	(\$28,675)	(\$5,073)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1	1
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(18)	(7)
Inventories and Prepaid Items		
Other Assets		
Accounts Payable/Interfund Payables	13	
Unearned Revenue	(3,549)	
Compensated Absences	(10)	3
Policy Claim Liabilities	612	969
Other Accrued Liabilities		1
Net Cash Provided (Used) by Operating Activities	(\$31,626)	(\$4,106)

Noncash Transactions (dollars in thousands):

Investments increased in fair value by \$331 for Group Insurance and by \$55 for Risk Management. Group Insurance Payments for Benefits, Awards, and Claims decreased by \$5,176 due to a prior period adjustment. General Services acquired capital assets by capital lease for \$58 and eliminated capital assets of \$594 in prior periods. Data Processing disposed of capital assets at a loss of \$1.

General Services	Data Processing Services	Total
\$1,662	\$4	\$11,448
20,516	7,688	193,073
66		2,602
(12,986)	(3,123)	(19,833)
(7,657)	(3,762)	(12,089)
(2,483)	(171)	(2,980)
		(208,199)
(882)	636	(35,978)
2,687		2,687
(368)		(368)
(352)		(352)
1,967		1,967
(268)	(53)	(321)
7		7
(179)	(1)	(180)
(76)	(495)	(571)
(516)	(549)	(1,065)
46	15	2,027
		(578)
		3,405
		(20)
46	15	4,834
615	102	(30,242)
4,214	1,874	96,261
\$4,829	\$1,976	\$66,019
(\$2,867)	(\$113)	(\$36,728)
1,483	709	2,194
130	(1)	104
(464)	(226)	(690)
	(1)	(1)
601	31	645
88	198	(3,263)
124	13	130
		1,581
23	26	50
(\$882)	\$636	(\$35,978)



FIDUCIARY FUNDS report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs. The following provides a brief description of the State's fiduciary funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, deferred compensation plans, and other postemployment benefit plans. The State's pension trust funds include the following:

The PERSI Base Plan and the Firefighters' Retirement Fund are cost-sharing, multiple employer defined benefit retirement plans that provide benefits based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and to eligible members' beneficiaries.

The Judges' Retirement Fund is a single-employer defined benefit plan that provides retirement benefits to retired justices, judges, eligible administrative directors, and allowances to surviving spouses.

The Deferred Compensation Plan is an IRS Section 457(b) tax-advantaged trust fund that accounts for the resources contributed by individuals to fund their retirement.

The 414(K) Plan and the 401(K) Plan are defined contribution retirement plans that consist of gain sharing allocations, voluntary employee contributions, rollover contributions, and some employer matching contributions.

The Sick Leave Insurance Reserve-State Fund and the Sick Leave Insurance Reserve-Schools Fund provide payment of health insurance premiums on behalf of retired employees based on accumulated unused sick leave at the time of retirement.

INVESTMENT TRUST FUNDS account for assets invested by the State on behalf of other governmental entities. The following provides a brief description of the State's investment trust funds:

The Local Government Investment Pool is an external investment pool sponsored by the State Treasurer's Office for Local Government Investment Pool participants. The purpose of the Pool is to provide a safe liquid vehicle for investing moneys not needed to meet immediate operating obligations and to obtain the best interest rate available at the time of investment.

The Diversified Bond Fund is an external investment pool sponsored by the State Treasurer's Office for Diversified Bond Fund participants. The purpose of the Fund is to provide an investment vehicle with a reasonable level of current income and potential capital appreciation as measured on a long-term basis.

AGENCY FUNDS account for resources held by the State in a purely custodial capacity. The following provides a brief description of the State's agency fund:

The Custodial Fund accounts for the receipts and disbursements of monies collected by the State and distributed to entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2012
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Deferred Compensation 457
ASSETS				
Cash and Cash Equivalents	\$732	\$19	\$321	
Pooled Cash and Investments	2,363	60	279	
Investments:				
Pooled Short Term	409,288	10,444		
Fixed Income Investments	2,723,087	69,489	17,701	\$129,447
Marketable Securities	6,327,510	161,468	42,357	
Mutual Funds and Private Equities	981,016	25,034		134,120
Mortgages and Real Estate	992,501	25,328		
Other Investments				3,490
Receivables:				
Investments Sold	656,044	16,663		741
Contributions	3,766		47	61
Interest and Dividends	37,434	950	9	
Interfund Receivables				
Other Receivables			136	
Other Assets	49,570			
Capital Assets, Net	2,915			
Total Assets	12,186,226	309,455	60,850	267,859
LIABILITIES				
Accounts Payable	457		38	
Interfund Payables	1,575			
Investments Purchased	844,761	21,456		
Other Accrued Liabilities	9,776	240		
Total Liabilities	856,569	21,696	38	
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	11,329,657	287,759	60,812	267,859
Postemployment Healthcare Benefits				
Total Net Assets	\$11,329,657	\$287,759	\$60,812	\$267,859

Defined Contribution 414(k)	Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
	\$61			\$1,133
		\$42	\$33	2,777
	610			420,342
		31,881	47,328	3,018,933
		75,624	125,771	6,732,730
\$56,882	395,031			1,592,083
				1,017,829
				3,490
				673,448
	207			4,081
181	1,026			39,600
		492	1,083	1,575
				136
		326	970	50,866
				2,915
57,063	396,935	108,365	175,185	13,561,938
				495
				1,575
				866,217
		12	20	10,048
		12	20	878,335
57,063	396,935			12,400,085
		108,353	175,165	283,518
\$57,063	\$396,935	\$108,353	\$175,165	\$12,683,603

Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2012
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Deferred Compensation 457
ADDITIONS				
Contributions:				
Member	\$179,168	\$11	\$351	\$10,477
Employer	277,144	13,486	409	
Transfers In from Other Plans				9,581
Total Contributions	456,312	13,497	760	20,058
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	(102,816)	(2,613)	(1,144)	(2,773)
Interest, Dividends, and Other	280,961	7,136	1,383	5,016
Less Investment Expense:				
Investment Activity Expense	(40,928)	(1,040)	(173)	
Net Investment Income	137,217	3,483	66	2,243
Miscellaneous Income	24		1,565	
Total Additions	593,553	16,980	2,391	22,301
DEDUCTIONS				
Benefits and Refunds Paid to Plan Members	640,679	19,637	4,771	
Transfers Out to Other Plans				
Administrative Expense	6,231			10
Participant Withdrawals				13,917
Total Deductions	646,910	19,637	4,771	13,927
Change in Net Assets Held in Trust for:				
Employee Pension Benefits	(53,357)	(2,657)	(2,480)	8,374
Employee Postemployment Healthcare Benefits				
Net Assets - Beginning of Year	11,383,014	290,416	63,292	259,485
Net Assets - End of Year	\$11,329,657	\$287,759	\$60,812	\$267,859

Defined Contribution 414(k)	Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
	\$32,418			\$222,425
	383	\$5,793	\$12,866	310,081
	9,577			19,158
	42,378	5,793	12,866	551,664
(\$564)	(1,862)	2,355	3,891	(105,526)
1,392	8,409			304,297
(202)	(141)	56	(94)	(42,522)
626	6,406	2,411	3,797	156,249
		4	1	1,594
626	48,784	8,208	16,664	709,507
2,342	7,123	3,464	12,846	690,862
1,619	13,324			14,943
		39	65	6,345
				13,917
3,961	20,447	3,503	12,911	726,067
(3,335)	28,337			(25,118)
		4,593	3,753	8,346
60,398	368,598	103,760	171,412	12,700,375
\$57,063	\$396,935	\$108,353	\$175,165	\$12,683,603

Combining Statement of Fiduciary Net Assets

Investment Trust Funds

June 30, 2012

(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ASSETS			
Investments:			
Pooled Short Term	\$432,499	\$4,235	\$436,734
Fixed Income Investments	895,888	72,024	967,912
Mortgages and Real Estate		73,270	73,270
Securities Lending Collateral	561,514	58,443	619,957
Receivables:			
Interest and Dividends	2,460	664	3,124
Total Assets	1,892,361	208,636	2,100,997
LIABILITIES			
Accounts Payable	2,273	5	2,278
Obligations Under Securities Lending	561,514	58,443	619,957
Other Accrued Liabilities	332	284	616
Total Liabilities	564,119	58,732	622,851
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	1,328,242	149,904	1,478,146
Total Net Assets	\$1,328,242	\$149,904	\$1,478,146

Combining Statement of Changes in Fiduciary Net Assets

Investment Trust Funds

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ADDITIONS			
Contributions:			
Participant Deposits	\$3,034,623	\$39,200	\$3,073,823
Total Contributions	<u>3,034,623</u>	<u>39,200</u>	<u>3,073,823</u>
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(13,461)	1,152	(12,309)
Interest, Dividends, and Other	15,774	4,688	20,462
Securities Lending Income	1,510	163	1,673
Less Investment Expense:			
Investment Activity Expense	(460)	(292)	(752)
Securities Lending Interest Expense	(1,094)	(108)	(1,202)
Net Investment Income	<u>2,269</u>	<u>5,603</u>	<u>7,872</u>
Total Additions	<u>3,036,892</u>	<u>44,803</u>	<u>3,081,695</u>
DEDUCTIONS			
Earnings Distribution	2,722	3,379	6,101
Participant Withdrawals	2,881,323	14,175	2,895,498
Total Deductions	<u>2,884,045</u>	<u>17,554</u>	<u>2,901,599</u>
Change in Net Assets Held in Trust for:			
External Investment Pool Participants	152,847	27,249	180,096
Net Assets - Beginning of Year	<u>1,175,395</u>	<u>122,655</u>	<u>1,298,050</u>
Net Assets - End of Year	<u>\$1,328,242</u>	<u>\$149,904</u>	<u>\$1,478,146</u>

Combining Statement of Assets and Liabilities**Agency Fund****June 30, 2012***(dollars in thousands)*

	Custodial
ASSETS	
Cash and Cash Equivalents	\$9,068
Pooled Cash and Investments	20,003
Investments:	
Fixed Income Investments	263,285
Total Assets	\$292,356
LIABILITIES	
Due to Other Entities	\$757
Amounts Held in Trust for Others	291,599
Total Liabilities	\$292,356

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
CUSTODIAL				
Assets				
Cash and Cash Equivalents	\$4,791	\$11,453	\$7,176	\$9,068
Pooled Cash and Investments	23,874	196,276	200,147	20,003
Fixed Income Investments	256,446	519,731	512,892	263,285
Total Assets	\$285,111	\$727,460	\$720,215	\$292,356
Liabilities				
Due to Other Entities	\$566	\$7,420	\$7,229	\$757
Amounts Held in Trust for Others	283,748	636,738	628,887	291,599
Other Accrued Liabilities	797	29,027	29,824	
Total Liabilities	\$285,111	\$673,185	\$665,940	\$292,356

Statistical Section



Snowboarding
Adams & Valley Counties

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State’s Comprehensive Annual Financial Report.

Note: The schedules presented in the Statistical Section are not audited, and component unit data is not included.

Schedule 1 - Net Assets by Component**Fiscal Years 2003-2012***(accrual basis of accounting, dollars in thousands)*

	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$3,681,836	\$3,820,843	\$4,043,883	\$4,244,622	\$4,467,319	\$4,511,544
Restricted ¹	1,032,921	1,219,013	1,244,363	1,343,427	1,762,246	1,950,191
Unrestricted ²	220,603	342,846	571,337	849,405	955,513	1,052,145
Total Governmental Activities Net Assets	\$4,935,360	\$5,382,702	\$5,859,583	\$6,437,454	\$7,185,078	\$7,513,880
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$420,923	\$413,842	\$449,889	\$469,958	\$516,267	\$520,632
Restricted ³	653,739	637,531	619,352	720,721	813,880	829,375
Unrestricted ⁴	33,872	84,174	146,942	163,636	189,577	190,656
Total Business-Type Activities Net Assets	\$1,108,534	\$1,135,547	\$1,216,183	\$1,354,315	\$1,519,724	\$1,540,663
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$4,102,759	\$4,234,685	\$4,493,772	\$4,714,580	\$4,983,586	\$5,032,176
Restricted	1,686,660	1,856,544	1,863,715	2,064,148	2,576,126	2,779,566
Unrestricted	254,475	427,020	718,279	1,013,041	1,145,090	1,242,801
Total Primary Government Net Assets	\$6,043,894	\$6,518,249	\$7,075,766	\$7,791,769	\$8,704,802	\$9,054,543

¹In fiscal year (FY) 2007 governmental activities restricted net assets increased mainly due to Land Endowment fund investment income, receipts from timber sales and land leases, and increased operating grants for health care assistance and infrastructure. In FY2008 net assets accumulated mainly due to increased operating grants for health care assistance, education, and infrastructure. In FY2009 net assets decreased primarily because of the national recession and the decrease in fair market value of investments, primarily related to the Land Endowment fund. In FY2010 and FY2011 net assets increased primarily due to the increase in federal grant revenue from the American Recovery and Reinvestment Act. In FY2012 net assets increased due to lower Medicaid and rehabilitation service costs.

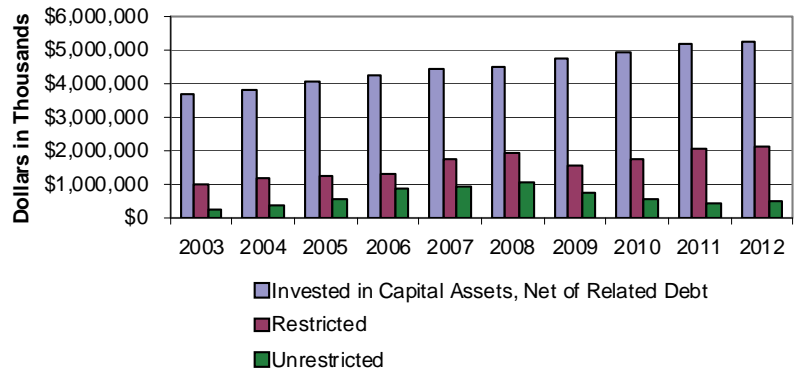
²Large fluctuations in governmental activities unrestricted net assets balances occurred primarily as income tax and sales tax revenues increased and decreased due to significant changes in economic conditions. The Property Tax Relief Act of 2006 increased the sales tax by 1 percent and reduced property tax by shifting public schools' maintenance and operating expenses from counties to the state.

³Significant increases of business-type activities restricted net assets were mainly due to increases in unemployment compensation assessment collections and/or decreases in unemployment claims. In fiscal year 2009 net assets decreased predominantly because of increased unemployment compensation benefit payments resulting from the economic downturn.

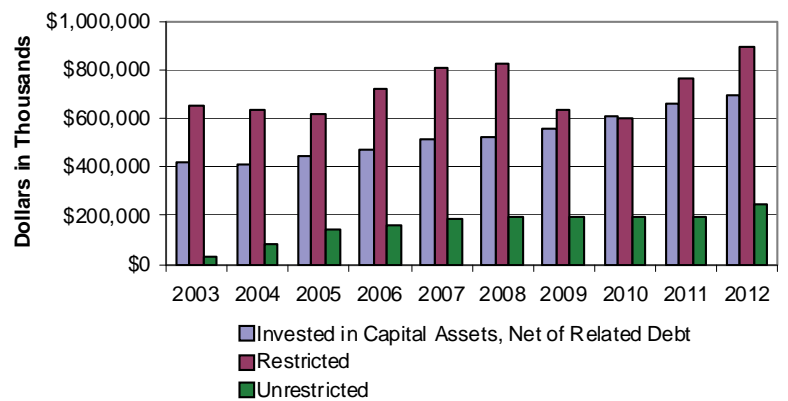
⁴In fiscal year (FY) 2004 business-type activities unrestricted net assets increased due to grant revenues for colleges and universities. In FY2005 and FY2012 net assets increased primarily due to increased student tuition and fees for the colleges and universities.

2009 (as restated)	2010	2011 (as restated)	2012
\$4,782,891	\$4,953,158	\$5,184,901	\$5,287,342
1,573,417	1,784,243	2,086,840	2,135,262
762,203	578,255	445,911	531,537
\$7,118,511	\$7,315,656	\$7,717,652	\$7,954,141
\$562,915	\$610,890	\$659,216	\$698,601
640,725	604,989	769,693	901,460
198,573	193,027	194,364	251,802
\$1,402,213	\$1,408,906	\$1,623,273	\$1,851,863
\$5,345,806	\$5,564,048	\$5,844,117	\$5,985,943
2,214,142	2,389,232	2,856,533	3,036,722
960,776	771,282	640,275	783,339
\$8,520,724	\$8,724,562	\$9,340,925	\$9,806,004

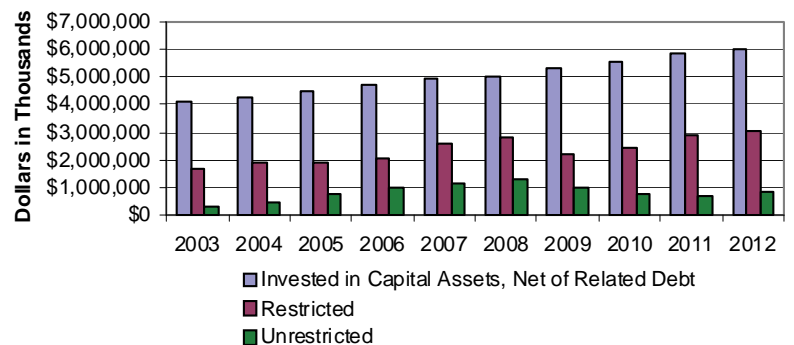
**Governmental Activities Net Assets by Component
Fiscal Years 2003-2012**



**Business-Type Activities Net Assets by Component
Fiscal Years 2003-2012**



**Primary Government Net Assets by Component
Fiscal Years 2003-2012**



Schedule 2 - Changes in Net Assets

Fiscal Years 2003-2012

(accrual basis of accounting, dollars in thousands)

	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)
Governmental Activities:						
Expenses						
General Government ¹	\$305,709	\$349,990	\$393,172	\$420,772	\$403,506	\$463,125
Public Safety and Correction ¹	238,050	241,550	229,158	266,036	285,669	324,843
Health and Human Services ²	1,347,997	1,507,865	1,600,692	1,676,706	1,750,187	1,818,932
Education ¹	1,252,020	1,287,879	1,331,795	1,385,448	1,704,447	1,796,160
Economic Development	587,152	600,341	616,149	629,499	673,234	756,677
Natural Resources	170,761	186,594	205,635	213,599	217,222	243,925
Interest Expense	18,911	16,556	18,175	21,130	32,232	45,530
Total Expenses	3,920,600	4,190,775	4,394,776	4,613,190	5,066,497	5,449,192
Program Revenues						
Charges for Services:						
General Government ³	97,188	133,855	96,174	92,873	77,750	119,443
Economic Development	197,041	198,643	203,550	215,735	239,728	258,576
Natural Resources	122,034	123,613	123,183	146,481	145,349	150,752
Other Activities ⁴	102,874	103,702	118,346	117,865	135,765	128,367
Operating Grants and Contributions ⁵	1,461,507	1,787,214	1,832,487	1,899,754	2,045,958	1,955,236
Capital Grants and Contributions	1,882	3,284	5,211	8,624	1,481	906
Total Program Revenues	1,982,526	2,350,311	2,378,951	2,481,332	2,646,031	2,613,280
Total Governmental Activities Net Program Expense	(1,938,074)	(1,840,464)	(2,015,825)	(2,131,858)	(2,420,466)	(2,835,912)
General Revenues and Other Changes in Net Assets						
Taxes:						
Sales Tax ⁶	860,526	1,039,746	1,135,210	1,061,861	1,296,040	1,334,032
Individual and Corporate Taxes ⁷	922,790	991,520	1,167,799	1,428,996	1,605,218	1,599,881
Fuel Tax	223,515	215,096	220,801	224,373	232,025	228,786
Other Taxes	160,935	182,606	185,375	182,112	185,748	185,874
Tobacco Settlement	23,772	23,004	23,145	21,404	27,328	28,631
Grants Not Restricted to Specific Programs		50,007				
Unrestricted Investment Earnings	13,457	12,020	15,595	34,734	35,430	51,537
Transfers	(223,729)	(226,193)	(255,219)	(243,751)	(213,699)	(264,027)
Total General Revenues and Other Changes in Net Assets	1,981,266	2,287,806	2,492,706	2,709,729	3,168,090	3,164,714
Total Governmental Activities Change in Net Assets	\$43,192	\$447,342	\$476,881	\$577,871	\$747,624	\$328,802
Business-Type Activities:						
Expenses						
College and University	\$667,324	\$699,674	\$753,689	\$780,066	\$815,373	\$875,586
Unemployment Compensation ⁸	179,423	164,950	142,862	109,113	109,338	171,918
Loan	1,072	913	654	719	954	2,267
State Lottery	76,310	85,046	89,424	97,605	99,307	102,065
State Liquor	68,664	75,747	79,817	93,204	105,126	112,476
Correctional Industries	5,427	5,835	5,655	6,239	6,852	7,574
Total Expenses	998,220	1,032,165	1,072,101	1,086,946	1,136,950	1,271,886
Revenues						
Charges for Services:						
College and University	243,292	250,417	283,463	315,924	341,823	337,699
Unemployment Compensation ⁹	124,379	130,789	143,828	159,365	191,758	126,575
State Lottery	98,267	109,443	113,613	131,305	130,811	137,664
Other Activities	89,833	96,490	108,600	124,600	142,193	152,428
Operating Grants and Contributions ¹⁰	198,007	222,013	228,049	229,902	227,620	244,954
Capital Grants and Contributions	22,515	23,833	19,965	20,231	54,455	29,478
Total Revenues	776,293	832,985	897,518	981,327	1,088,660	1,028,798
Total Business-Type Activities Net Program Revenue (Expense)	(221,927)	(199,180)	(174,583)	(105,619)	(48,290)	(243,088)
General Revenues and Other Changes in Net Assets						
Transfers	223,729	226,193	255,219	243,751	213,699	264,027
Total General Revenues and Other Changes in Net Assets	223,729	226,193	255,219	243,751	213,699	264,027
Total Business-Type Activities Change in Net Assets	\$1,802	\$27,013	\$80,636	\$138,132	\$165,409	\$20,939
Total Primary Government Change in Net Assets	\$44,994	\$474,355	\$557,517	\$716,003	\$913,033	\$349,741

¹In fiscal year 2011 most expenses decreased due to effects of the national recession.²In fiscal years 2011 and 2012 expenses for health and human services fluctuated due to changes in medical assistance payments related to Medicaid and rehabilitation services payments.³In fiscal year 2011 charges for services increased as the economy began to improve.⁴In fiscal years (FY) 2010 and 2011 fluctuations in other activities revenue were caused by a change in the way revenue is recorded. In FY2012 Department of Health & Welfare grant revenue decreased due to a reduction in American Recovery and Reinvestment Act funding.⁵In fiscal years (FY) 2004 and 2007 operating grants and contributions revenue surged primarily due to increased federal health care assistance and infrastructure grants. In FY2010-2012 amounts shifted primarily because of changes in the American Recovery and Reinvestment Act stimulus funding.

2009 (as restated)	2010 (as restated)	2011 (as restated)	2012
\$450,875	\$548,757	\$426,506	\$413,832
326,125	320,423	296,034	335,493
2,115,148	2,092,319	2,577,700	2,396,437
1,850,258	1,830,608	1,777,026	1,712,567
743,811	799,054	829,130	820,530
241,108	241,508	241,203	264,080
46,767	45,782	50,773	50,372
5,774,092	5,878,451	6,198,372	5,993,311
93,376	79,833	109,387	97,411
256,184	239,107	248,199	266,320
133,138	127,037	133,317	159,633
138,276	76,575	163,505	118,255
2,034,795	2,935,393	3,160,919	2,664,743
8,892	4,660	6,058	2,568
2,664,661	3,462,605	3,821,385	3,308,930
(3,109,431)	(2,415,846)	(2,376,987)	(2,684,381)

1,177,106	1,127,013	1,165,095	1,213,623
1,320,968	1,242,032	1,296,558	1,390,226
214,113	221,142	231,732	216,249
186,489	186,130	227,075	240,757
31,094	26,120	24,576	21,103

36,139	16,800	18,516	17,365
(251,847)	(206,246)	(184,569)	(178,453)
2,714,062	2,612,991	2,778,983	2,920,870
(\$395,369)	\$197,145	\$401,996	\$236,489

\$896,993	\$898,012	\$923,760	\$969,419
338,600	666,808	482,087	358,283
5,910	9,624	14,571	7,112
105,780	110,204	112,003	134,055
117,185	118,022	117,039	123,656
8,323	6,553	6,727	8,030
1,472,791	1,809,223	1,656,187	1,600,555

339,989	368,504	405,450	436,208
130,879	255,278	337,479	351,781
140,316	147,931	147,849	176,547
156,483	156,407	160,749	175,435
293,673	637,456	606,597	485,777
21,154	44,094	27,861	24,944
1,082,494	1,609,670	1,685,985	1,650,692
(390,297)	(199,553)	29,798	50,137

251,847	206,246	184,569	178,453
251,847	206,246	184,569	178,453
(\$138,450)	\$6,693	\$214,367	\$228,590
(\$533,819)	\$203,838	\$616,363	\$465,079

⁶The state sales tax increased from 5 percent to 6 percent on May 1, 2003, and reverted to 5 percent on July 1, 2005. In fiscal year (FY) 2007 the state sales tax permanently increased from 5 percent to 6 percent. In FY2009-2010 and FY2012 sales tax revenue increased and decreased due to swings in the economy and changes of employment and personal income levels.

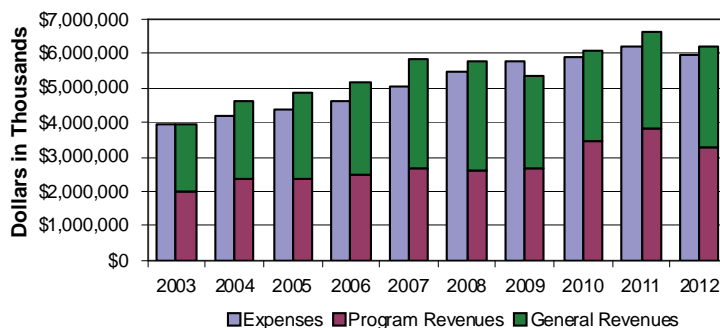
⁷In fiscal years 2006-2012 individual and corporate income tax revenues increased and decreased due to changes in the economy and levels of employment and personal income.

⁸Decreases and increases in unemployment compensation in fiscal years 2008-2012 relate to the degradation and improvement of economic conditions.

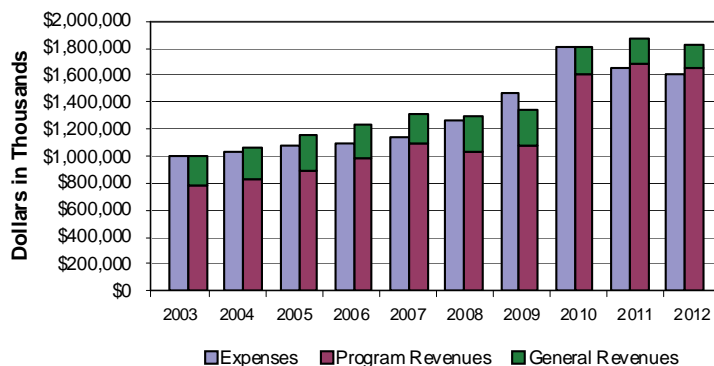
⁹In fiscal years 2010-2012 unemployment compensation revenues increased due to increased assessment collections for unemployment benefits.

¹⁰In fiscal year 2010 operating grants and contributions grew because of increased federal grant revenue for unemployment benefits.

**Expenses and Revenues - Governmental Activities
Fiscal Years 2003-2012**



**Expenses and Revenues - Business-Type Activities
Fiscal Years 2003-2012**



Schedule 3 - Fund Balances - Governmental Funds**Fiscal Years 2003-2012***(modified accrual basis of accounting, dollars in thousands)*

	2003	2004	2005	2006	2007	2008
	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)
General Fund						
Reserved	\$16,248					
Unreserved	158,844					
Nonspendable						
Restricted ¹		\$56,396	\$66,789	\$31,814	\$62,993	\$85,633
Committed ²		31,943	46,230	57,283	355,735	369,896
Assigned		22,180	22,529	23,389	34,870	40,949
Unassigned ³		224,873	402,069	676,152	649,565	704,776
Total General Fund	175,092	335,392	537,617	788,638	1,103,163	1,201,254
All Other Governmental Funds						
Reserved	784,150					
Unreserved, Reported in:						
Special Revenue Funds	248,629					
Permanent Funds	11,495					
Nonspendable ⁴		770,481	845,563	952,488	1,140,718	1,128,417
Restricted ⁵		355,875	299,795	324,076	489,564	510,715
Committed		55,484	78,399	49,956	59,079	77,621
Assigned		1,525	1,726	1,402	1,115	1,012
Unassigned ⁶						
Total All Other Governmental Funds	1,044,274	1,183,365	1,225,483	1,327,922	1,690,476	1,717,765
Total Fund Balances - Governmental Funds	\$1,219,366	\$1,518,757	\$1,763,100	\$2,116,560	\$2,793,639	\$2,919,019

Note: GASB Statement No. 54 was implemented in fiscal year 2011. The standard required the reclassification of fund balances; except for fiscal year 2003, prior years have been restated.

¹Increases and decreases in the General Fund restricted fund balance in each fiscal year occurred primarily due to changes in sales tax revenue caused by prevailing economic conditions. In fiscal year 2007 the fund balance also increased due to the funding of the Millennium Permanent Endowment fund and the Capitol restoration project.

²Fluctuations in the General Fund committed fund balance in each fiscal year resulted primarily from changes in personal and corporate income tax revenue. Significant variances occurred in response to prevailing economic conditions.

³Increases and decreases in the General Fund unassigned fund balance resulted from surging and weakening economic conditions.

⁴Large changes in the Governmental Funds nonspendable fund balance occurred primarily because of significant variances in Land Endowment fund fair market value.

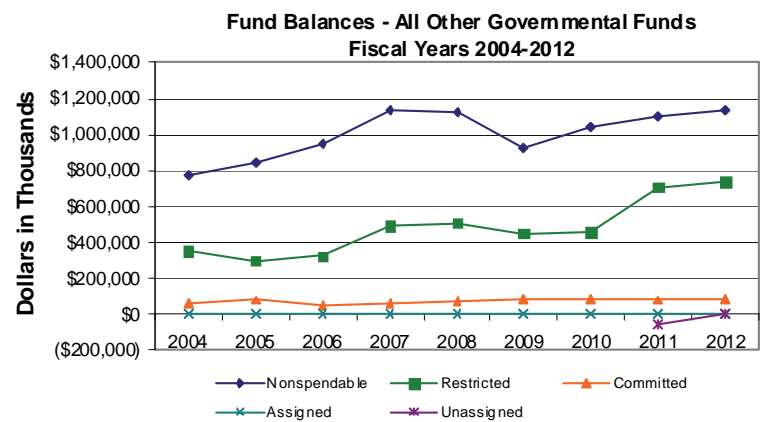
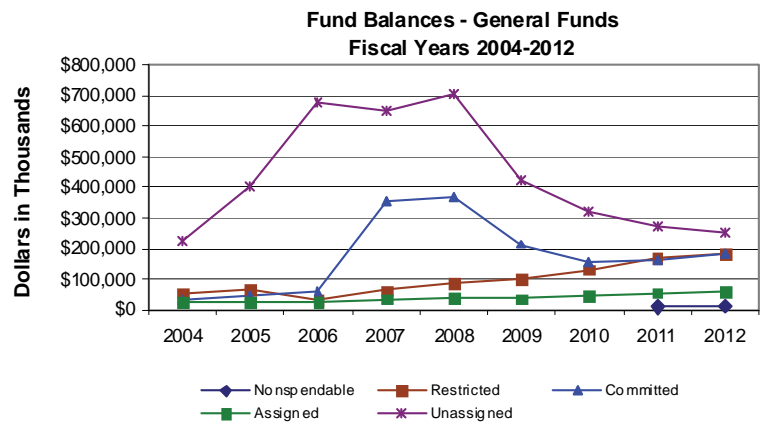
⁵In fiscal year (FY) 2007 the Governmental Funds restricted fund balance increased predominantly because of additional investment income, timber sales, and land leases receipts. In FY2011 the fund balance increased largely due to receiving American Recovery and Reinvestment Act funds for the Idaho Transportation Department.

⁶In fiscal year 2011 the Department of Health and Welfare reported a negative unassigned fund balance due to increased expenditures for health and human services.

2009	2010	2011	2012
(as restated)		(as restated)	

		\$7,922	\$8,837
\$98,798	\$130,258	169,750	184,434
213,835	154,168	162,583	185,098
35,221	45,936	55,778	57,271
426,885	320,487	269,251	251,023
774,739	650,849	665,284	686,663

923,217	1,043,787	1,097,816	1,135,746
451,173	461,572	709,521	735,415
83,527	86,434	78,794	85,124
1,298	1,320	1,651	2,238
		(57,026)	
1,459,215	1,593,113	1,830,756	1,958,523
\$2,233,954	\$2,243,962	\$2,496,040	\$2,645,186



Schedule 4 - Changes in Fund Balances - Governmental Funds**Fiscal Years 2003-2012***(modified accrual basis of accounting, dollars in thousands)*

	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)
Revenues						
Sales Tax ¹	\$864,509	\$1,040,448	\$1,137,138	\$1,060,612	\$1,300,416	\$1,333,018
Individual and Corporate Taxes ²	904,204	997,454	1,176,903	1,436,168	1,598,702	1,587,694
Other Taxes	387,820	397,950	406,620	406,336	417,763	414,671
Licenses, Permits, and Fees	230,599	240,323	244,165	256,900	273,223	279,156
Sale of Goods and Services	181,049	252,291	231,728	235,410	235,750	231,885
Grants and Contributions ³	1,447,574	1,719,520	1,757,713	1,806,749	1,880,049	1,962,931
Investment Income ⁴	49,681	135,718	104,557	144,559	225,717	63,406
Tobacco Settlement	23,772	22,848	23,151	21,253	23,712	28,504
Other Income	79,033	47,658	48,047	47,606	65,538	61,530
Total Revenues	4,168,241	4,854,210	5,130,022	5,415,593	6,020,870	5,962,795
Expenditures						
General Government ⁵	104,109	122,876	143,584	147,445	151,358	177,312
Public Safety and Correction	212,878	219,417	233,598	253,504	269,874	300,106
Health and Human Services ⁶	1,315,668	1,468,736	1,561,765	1,641,421	1,701,863	1,775,609
Education ^{5,7}	1,240,835	1,279,486	1,324,069	1,379,775	1,683,254	1,777,690
Economic Development	347,280	307,312	346,256	358,814	368,439	390,424
Natural Resources	147,630	163,769	178,401	188,784	186,179	217,214
Capital Outlay ^{5,8}	401,279	436,133	433,096	423,582	452,755	545,059
Intergovernmental Revenue Sharing	315,444	385,698	393,195	425,414	441,421	452,089
Debt Service:						
Principal	6,915	8,061	10,880	10,751	12,403	92,377
Interest	12,511	8,069	17,671	20,736	25,576	45,365
Total Expenditures	4,104,549	4,399,557	4,642,515	4,850,226	5,293,122	5,773,245
Revenues Over (Under) Expenditures	63,692	454,653	487,507	565,367	727,748	189,550
Other Financing Sources (Uses)						
Bonds and Notes Issued	64,145	64,795	26	10,790	155,463	187,603
Premium/(Discount) on Bonds Issued	(763)	(864)		(23)	6,533	
Capital Lease Acquisitions			3,757	5,697		1,039
Payment to Refunded Bond Escrow Agent ⁹					(4,765)	
Sale of Capital Assets		6,909	8,037	17,193	7,066	11,590
Transfers In	525,453	553,181	594,877	640,776	713,275	731,774
Transfers Out	(744,183)	(779,283)	(849,861)	(886,340)	(928,241)	(996,176)
Total Other Financing Sources (Uses)	(155,348)	(155,262)	(243,164)	(211,907)	(50,669)	(64,170)
Net Changes in Fund Balances	(\$91,656)	\$299,391	\$244,343	\$353,460	\$677,079	\$125,380

Debt Service as a Percentage of Noncapital Expenditures	<1	<1	<1	<1	<1	2.5
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¹From May 1, 2003, to July 1, 2005, the Legislature imposed a temporary sales tax increase from 5 percent to 6 percent. On October 1, 2006, the state sales tax rate permanently increased from 5 percent to 6 percent. In fiscal years 2009-2012 sales tax revenue changed in response to fluctuating levels of employment and personal income.

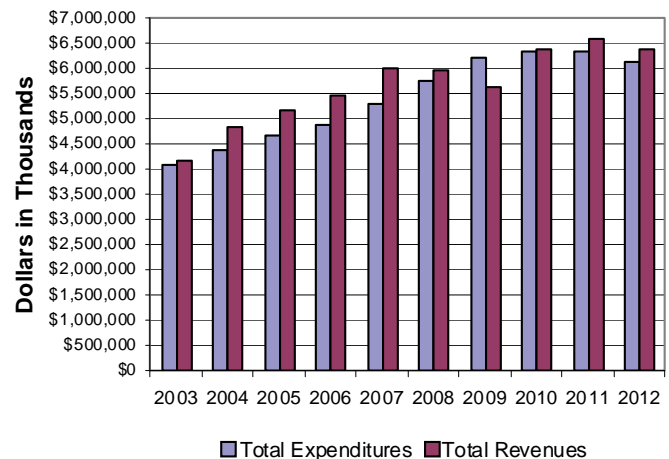
²Individual and corporate income tax revenues increased and decreased due to the relative strengthening and weakening of the economy.

³In fiscal years 2009-2011 grants and contributions increased primarily due to American Recovery and Reinvestment Act funds for health, transportation, and education.

⁴Investment income increased and decreased primarily due to changes in the fair values of investments in the Land Endowment fund.

2009 (as restated)	2010 (as restated)	2011 (as restated)	2012
\$1,174,802	\$1,122,384	\$1,163,526	\$1,214,491
1,325,996	1,228,463	1,288,869	1,389,291
398,639	409,924	459,162	456,720
277,354	275,018	296,827	310,828
232,526	137,947	168,369	198,438
2,251,714	2,808,307	2,850,294	2,638,570
(123,820)	191,596	302,488	51,264
30,965	25,990	24,445	24,922
61,943	78,565	65,361	101,828
5,630,119	6,278,194	6,619,341	6,386,352
186,119	208,784	172,779	157,283
305,141	284,457	284,208	302,809
2,096,507	2,111,265	2,346,165	2,329,848
1,843,401	1,810,276	1,768,616	1,687,084
406,694	416,776	418,866	392,242
212,398	214,291	213,912	215,354
634,187	677,097	574,305	501,522
436,866	459,716	448,249	453,799
55,645	33,222	45,871	47,954
49,368	46,648	51,689	50,804
6,226,326	6,262,532	6,324,660	6,138,699
(596,207)	15,662	294,681	247,653
152,641	163,562	125,862	146,219
22	23,745	2,603	7,219
			(88,044)
11,947	13,436	14,462	16,871
700,654	630,563	678,794	815,041
(954,122)	(836,960)	(864,324)	(995,813)
(88,858)	(5,654)	(42,603)	(98,507)
(\$685,065)	\$10,008	\$252,078	\$149,146
1.8	1.3	1.7	1.7

Revenues and Expenditures - Governmental Funds
Fiscal Years 2003-2012



⁵In fiscal years 2011 and 2012 decreases in expenditures were necessary to balance the State's budget.

⁶In fiscal years 2007-2012 health and human services expenditures increased and decreased due to changes in medical assistance payments related to Medicaid and rehabilitation services.

⁷In fiscal years 2007-2009 education expenditures increased because of an increased public school distribution for facilities improvements, salaries, and operating expenses.

⁸In fiscal years 2008-2010 capital outlay expenditures increased mainly due to transportation infrastructure and state building expenses.

⁹In fiscal years 2007 and 2012 the Idaho State Building Authority defeased bond debt to achieve better interest rates.

Schedule 5 - Revenue Base

Fiscal/Calendar Years 2003-2012 (dollars in thousands)

Taxable Sales by Industry

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Commercial Farms	\$7,674	\$7,265	\$8,687	\$10,093	\$11,416	\$11,680
Agricultural/Forestry, Fishing, and Other	73,489	75,997	85,183	99,736	124,479	127,115
Mining	39,280	47,589	53,612	67,655	72,407	74,440
Construction	322,652	315,977	410,645	484,901	572,823	583,884
Manufacturing	1,150,728	1,012,159	1,026,589	998,714	1,403,805	1,050,425
Transportation and Public Utilities	176,603	226,260	253,306	250,375	347,677	390,536
Wholesale Trade	1,004,481	1,063,094	1,246,743	1,481,922	1,766,289	1,870,820
Retail Trade	11,386,198	11,968,267	12,769,055	14,083,361	15,364,551	14,963,180
Finance, Insurance, and Real Estate	123,765	116,476	117,091	153,983	149,466	155,362
Services	1,858,090	1,855,726	1,884,819	2,105,191	2,330,698	2,409,065
State and Local Government	523,861	620,550	671,249	690,509	782,729	817,606
Total Taxable Sales	\$16,666,821	\$17,309,360	\$18,526,979	\$20,426,440	\$22,926,340	\$22,454,113
Direct Sales Tax Rate	5.0%	6.0%	6.0%	5.0%	6.0%	6.0%

Personal Income by Industry¹

	Calendar Year					
	2003	2004	2005	2006	2007	2008
Farm Earnings	\$853,475	\$1,370,378	\$1,209,171	\$1,129,996	\$1,611,448	\$1,848,460
Agricultural/Forestry, Fishing, and Other	311,852	347,275	352,745	381,640	386,776	375,315
Mining	111,190	129,387	145,498	180,718	207,014	233,086
Construction/Utilities	2,433,930	2,671,124	2,971,297	3,462,028	3,583,431	3,276,700
Manufacturing	3,325,732	3,515,565	3,667,712	4,030,293	4,112,080	3,913,662
Transportation	878,879	949,526	1,020,940	1,089,850	1,125,341	1,110,992
Wholesale Trade	1,195,791	1,279,156	1,425,072	1,542,607	1,696,627	1,687,726
Retail Trade	2,389,110	2,513,468	2,757,319	3,013,076	3,050,471	2,818,073
Finance, Insurance, and Real Estate	1,574,893	1,648,575	1,818,186	2,041,679	1,967,689	1,940,189
Services	8,759,936	9,503,513	10,059,977	11,209,986	11,807,811	12,270,396
Federal, Civilian	932,515	1,020,959	1,043,528	1,096,496	1,126,521	1,150,937
Military	455,666	506,021	533,821	539,547	573,880	614,298
State and Local Government	3,676,865	3,880,019	4,056,479	4,244,318	4,420,553	4,663,318
Other ²	9,164,875	10,209,395	11,134,860	12,290,624	13,407,168	14,897,805
Total Personal Income	\$36,064,709	\$39,544,361	\$42,196,605	\$46,252,858	\$49,076,810	\$50,800,957
Total Direct Personal Income Tax Rate	7.6%	7.6%	7.7%	7.7%	7.7%	7.6%

Corporate Income by Category³

	Calendar Year					
	2003	2004	2005	2006	2007	2008
Corporations	(\$233,472)	\$62,838	\$54,837	\$6,080	\$146,513	(\$759,563)
Sub-S Corporations	39,253	74,857	126,174	87,233	72,520	(35,677)
Partnerships	(22,093)	(16,627)	(2,182)	(1,257)	(82,978)	(125,039)
Fiduciary	(120,714)	23,806	57,112	42,999	70,944	22,495
Total Corporate Income	(\$337,026)	\$144,874	\$235,941	\$135,055	\$206,999	(\$897,784)
Direct Corporate Income Tax Rate	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%

Vehicle Fuel Sales by Category (in thousands of gallons)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Diesel	230,162	239,784	241,079	258,715	284,009	282,616
Gasoline	617,800	629,499	625,453	636,565	647,363	636,125
Propane	135	138	98	77	62	53
Natural Gas ⁴	15	12	16	13		
Aviation	2,778	2,926	2,512	2,512	2,598	2,461
Jet	29,401	26,921	28,250	31,038	33,591	36,217
Total Fuel Sales	880,291	899,280	897,408	928,920	967,623	957,472
Total Direct Fuel Tax Rate (per gallon of fuel)	\$0.243	\$0.243	\$0.243	\$0.243	\$0.242	\$0.242

Sources: Taxable sales, corporate income, and vehicle fuel sales—Idaho State Tax Commission; Personal income—U.S. Bureau of Economic Analysis and the Idaho State Tax Commission.

¹Personal income data for calendar years 2003-2012 are estimates. The U.S. Bureau of Economic Analysis revised personal income amounts for all calendar years shown to reflect revisions to the national income and product accounts and to incorporate newly available state-level source data.

²Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

³Corporate income data is currently not available for calendar years 2011 and 2012.

⁴The natural gas distributors reported no vehicle fuel sales for fiscal years 2007-2011.

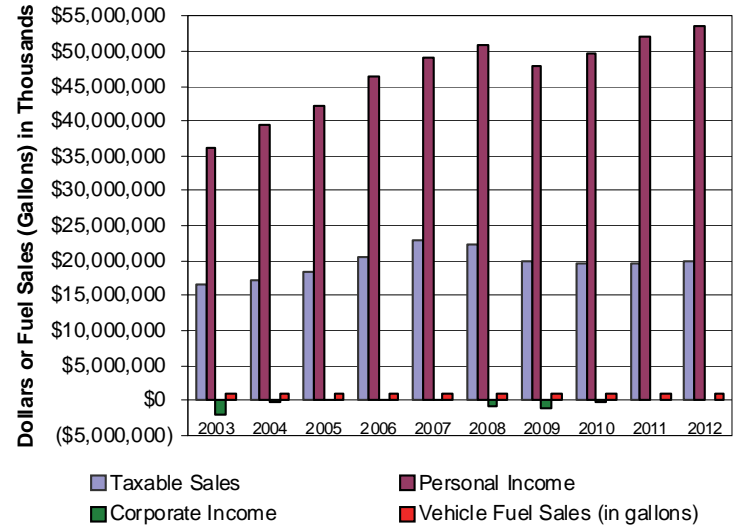
2009	2010	2011	2012
\$10,055	\$9,005	\$10,847	\$14,204
111,833	101,936	94,138	100,206
54,148	43,224	43,947	47,129
486,661	427,769	409,010	489,893
813,738	755,948	996,988	819,403
361,449	361,995	700,557	546,466
1,679,196	1,632,263	1,641,485	1,765,478
13,418,803	13,360,965	12,752,289	13,221,360
143,607	136,907	133,522	136,687
2,161,247	2,213,003	2,099,386	2,101,112
703,459	680,446	657,346	646,121
\$19,944,196	\$19,723,461	\$19,539,515	\$19,888,059
6.0%	6.0%	6.0%	6.0%

2009	2010	2011	2012
\$1,434,617	\$1,593,777	\$2,150,132	\$2,434,000
373,748	432,087	456,180	482,000
163,179	204,024	234,575	233,000
2,613,227	2,623,456	2,586,098	2,636,000
3,402,218	3,524,948	3,694,142	3,655,000
1,080,682	1,109,237	1,136,780	1,156,000
1,612,435	1,656,966	1,753,381	1,784,000
2,626,232	2,678,536	2,764,868	2,909,000
1,909,313	2,084,495	2,125,024	2,140,000
12,087,420	12,422,804	12,863,286	13,073,000
1,197,387	1,233,320	1,165,261	1,188,000
661,283	657,146	634,094	617,000
4,729,104	4,779,975	4,809,285	4,982,000
14,004,653	14,558,826	15,695,217	16,156,000
\$47,895,498	\$49,559,597	\$52,068,323	\$53,445,000
7.6%	7.6%	NA	NA

2009	2010	2011	2012
(\$1,025,574)	(\$28,603)	NA	NA
41,005	43,487	NA	NA
(126,283)	(115,646)	NA	NA
(5,038)	6,843	NA	NA
(\$1,115,890)	(\$93,919)	NA	NA
7.6%	7.6%	7.6%	7.4%

2009	2010	2011	2012
237,206	236,002	239,708	242,616
584,872	632,004	633,337	629,252
107	32	79	23
			33
1,864	1,814	1,797	1,811
29,697	23,347	23,225	25,903
853,746	893,199	898,146	899,638
\$0.243	\$0.245	\$0.245	\$0.244

Idaho Revenue Base
Fiscal/Calendar Years 2003-2012



Schedule 6 - Revenue Rates
Fiscal/Calendar Years 2003-2012

Personal Income Tax Rates¹

	Calendar Year					
	2003	2004	2005	2006	2007	2008
Tax Rate	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels (S, MFS) ²	\$0-1,104	\$0-1,129	\$0-1,159	\$0-1,197	\$0-1,236	\$0-1,272
Income Levels (MFJ, HoH, QW) ²	\$0-2,208	\$0-2,258	\$0-2,318	\$0-2,395	\$0-2,474	\$0-2,544
Tax Rate	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels (S, MFS)	\$1,105-2,207	\$1,130-2,258	\$1,160-2,318	\$1,198-2,395	\$1,237-2,473	\$1,273-2,544
Income Levels (MFJ, HoH, QW)	\$2,209-4,414	\$2,259-4,516	\$2,319-4,636	\$2,396-4,791	\$2,475-4,948	\$2,545-5,088
Tax Rate	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels (S, MFS)	\$2,208-3,311	\$2,259-3,387	\$2,319-3,477	\$2,396-3,593	\$2,474-3,709	\$2,545-3,816
Income Levels (MFJ, HoH, QW)	\$4,415-6,622	\$4,517-6,774	\$4,637-6,953	\$4,792-7,187	\$4,949-7,420	\$5,089-7,632
Tax Rate	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels (S, MFS)	\$3,312-4,415	\$3,388-4,515	\$3,478-4,636	\$3,594-4,792	\$3,710-4,946	\$3,817-5,088
Income Levels (MFJ, HoH, QW)	\$6,623-8,830	\$6,775-9,030	\$6,954-9,271	\$7,188-9,585	\$7,421-9,894	\$7,633-10,176
Tax Rate	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels (S, MFS)	\$4,416-5,518	\$4,516-5,644	\$4,637-5,794	\$4,793-5,990	\$4,947-6,183	\$5,089-6,360
Income Levels (MFJ, HoH, QW)	\$8,831-11,036	\$9,031-11,288	\$9,272-11,589	\$9,586-11,981	\$9,895-12,368	\$10,177-12,720
Tax Rate	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels (S, MFS)	\$5,519-8,278	\$5,645-8,466	\$5,795-8,692	\$5,991-8,995	\$6,184-9,275	\$6,361-9,540
Income Levels (MFJ, HoH, QW)	\$11,037-16,556	\$11,289-16,932	\$11,590-17,383	\$11,982-17,971	\$12,369-18,552	\$12,721-19,080
Tax Rate	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels (S, MFS)	\$8,279-22,074	\$8,467-22,577	\$8,693-23,178	\$8,996-23,962	\$9,276-24,735	\$9,541-25,441
Income Levels (MFJ, HoH, QW)	\$16,557-44,148	\$16,933-45,154	\$17,384-46,356	\$17,972-47,925	\$18,553-49,472	\$19,081-50,882
Tax Rate ³	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels (S, MFS)	\$22,075 +	\$22,578 +	\$23,179 +	\$23,963 +	\$24,736 +	\$25,442 +
Income Levels (MFJ, HoH, QW)	\$44,149 +	\$45,155 +	\$46,357 +	\$47,926 +	\$49,473 +	\$50,883 +
Total Direct Rate⁴	7.6%	7.6%	7.7%	7.7%	7.7%	7.6%

Vehicle Fuel Tax Rates per Gallon

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Diesel	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250	\$0.250
Gasoline	0.250	0.250	0.250	0.250	0.250	0.250
Propane	0.181	0.181	0.181	0.181	0.181	0.181
Natural Gas	0.197	0.197	0.197	0.197	0.197	0.197
Aviation	0.055	0.055	0.055	0.055	0.055	0.070
Jet	0.045	0.045	0.045	0.045	0.045	0.060
Total Direct Rate (per gallon of fuel)	\$0.243	\$0.243	\$0.243	\$0.243	\$0.242	\$0.242

Source: Idaho State Tax Commission.

Note: The Idaho State Legislature can raise the income and vehicle fuel tax rates by legislation, no vote of the populace is required per Idaho Constitution, Art. VII, Section 16; Idaho Code, Sections 63-3024 and 63-2402.

¹Idaho's personal income tax brackets are adjusted each year for inflation.

²Income categories are as follows: S = Single, MFS = Married Filing Separately, MFJ = Married Filing Jointly, HoH = Head of Household, QW = Qualifying Widow(er).

³Fiscal year 2012 legislative action reduced the top personal income tax rate from 7.8% to 7.4%.

⁴Personal Income data is currently not available for calendar years 2011 and 2012.

2009	2010	2011	2012
1.6% \$0-1,321 \$0-2,642	1.6% \$0-1,316 \$0-2,632	1.6% \$0-1,338 \$0-2,676	1.6% \$0-1,379 \$0-2,759
3.6% \$1,322-2,642 \$2,643-5,284	3.6% \$1,317-2,632 \$2,633-5,264	3.6% \$1,339-2,676 \$2,677-5,352	3.6% \$1,380-2,759 \$2,760-5,519
4.1% \$2,643-3,963 \$5,285-7,926	4.1% \$2,633-3,948 \$5,265-7,896	4.1% \$2,677-4,014 \$5,353-8,028	4.1% \$2,760-4,139 \$5,520-8,279
5.1% \$3,964-5,284 \$7,927-10,568	5.1% \$3,949-5,264 \$7,897-10,528	5.1% \$4,015-5,352 \$8,029-10,704	5.1% \$4,140-5,519 \$8,280-11,039
6.1% \$5,285-6,604 \$10,569-13,208	6.1% \$5,265-6,580 \$10,529-13,160	6.1% \$5,353-6,690 \$10,705-13,380	6.1% \$5,520-6,899 \$11,040-13,799
7.1% \$6,605-9,907 \$13,209-19,814	7.1% \$6,581-9,870 \$13,161-19,740	7.1% \$6,691-10,035 \$13,381-20,070	7.1% \$6,900-10,349 \$13,800-20,699
7.4% \$9,908-26,418 \$19,815-52,836	7.4% \$9,871-26,320 \$19,741-52,640	7.4% \$10,036-26,760 \$20,071-53,520	7.4% \$10,350+ \$20,700+
7.8% \$26,419 + \$52,837 +	7.8% \$26,321+ \$52,641+	7.8% \$26,761+ \$53,521+	

7.6% 7.6% NA NA

2009	2010	2011	2012
\$0.250	\$0.250	\$0.250	\$0.250
0.250	0.250	0.250	0.250
0.181	0.181	0.181	0.181
0.197	0.197	0.197	0.197
0.070	0.070	0.070	0.070
0.060	0.060	0.060	0.060
\$0.243	\$0.245	\$0.245	\$0.244



Schedule 7 - Revenue Payers by Industry/Category

Historical Comparison and Most Current Fiscal/Calendar Year

(dollars in thousands)

Sales Tax	As of June 30, 2002				As of June 30, 2011			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings	313	0.6	\$362	0.0	524	0.8	\$596	0.1
Agricultural	917	1.6	3,265	0.4	1,074	1.7	5,594	0.5
Mining	124	0.3	1,656	0.2	158	0.3	2,701	0.2
Construction	3,294	5.8	13,880	1.8	4,181	6.7	21,886	1.9
Manufacturing	3,864	6.8	50,239	6.4	5,502	8.8	63,530	5.5
Transportation & Utilities	1,135	2.0	9,702	1.2	1,258	2.0	28,682	2.5
Wholesale trade	1,984	3.5	46,466	5.9	3,924	6.3	98,121	8.5
Retail trade	26,272	45.8	541,783	69.1	23,952	38.1	761,126	66.1
Finance, Insurance, and Real Estate	633	1.1	6,148	0.8	862	1.4	8,062	0.7
Services	18,240	31.8	89,018	11.4	20,409	32.5	125,144	10.9
Government	418	0.7	22,300	2.8	849	1.4	36,257	3.1
Total	57,194	100.0	\$784,819	100.0	62,693	100.0	\$1,151,699	100.0

Personal Income	As of December 31, 2001				As of December 31, 2010			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Income Level								
Under \$50,000	527,255	89.1	\$371,482	43.2	591,217	85.9	\$379,331	31.8
\$50,000 - \$99,999	48,633	8.2	222,052	25.8	69,634	10.1	326,570	27.4
\$100,000 - \$249,999	12,141	2.1	122,576	14.2	22,086	3.2	227,099	19.0
\$250,000 - \$999,999	2,870	0.5	85,477	9.9	4,581	0.7	142,904	12.0
\$1,000,000 and higher	319	0.1	59,867	6.9	609	0.1	117,419	9.8
Total	591,218	100.0	\$861,454	100.0	688,127	100.0	\$1,193,323	100.0

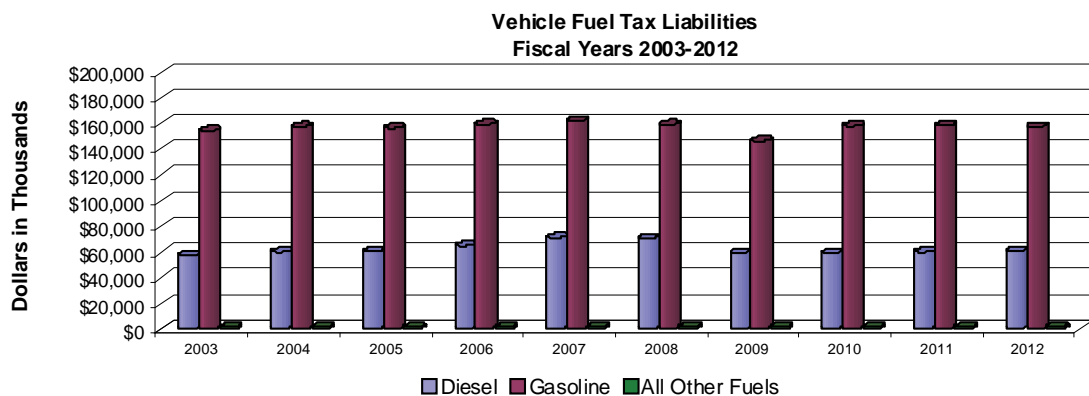
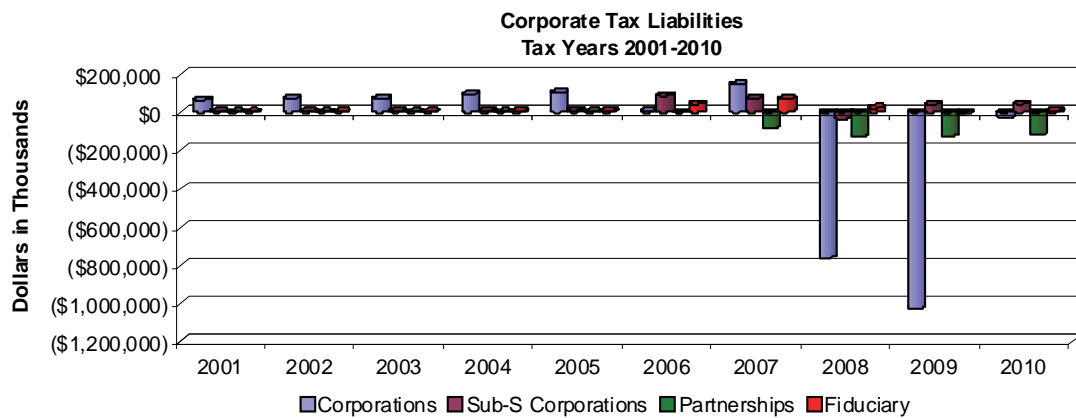
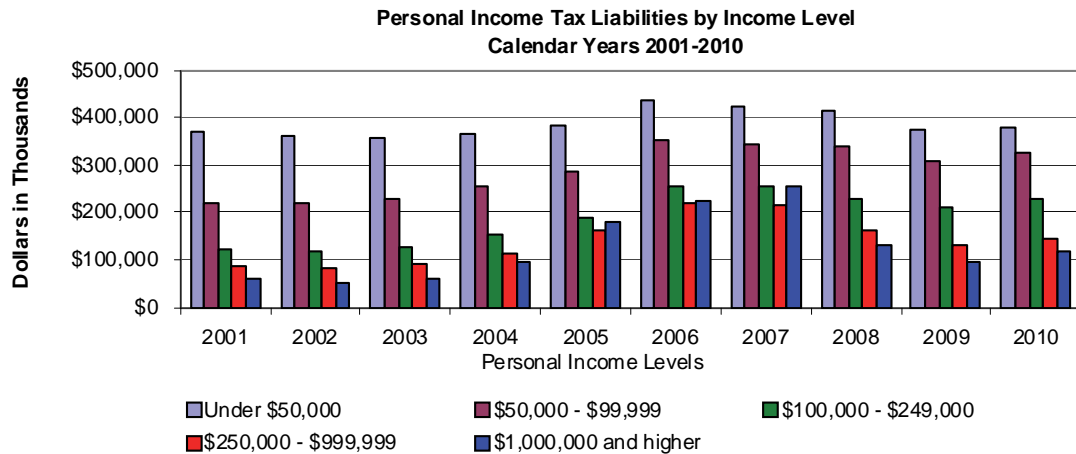
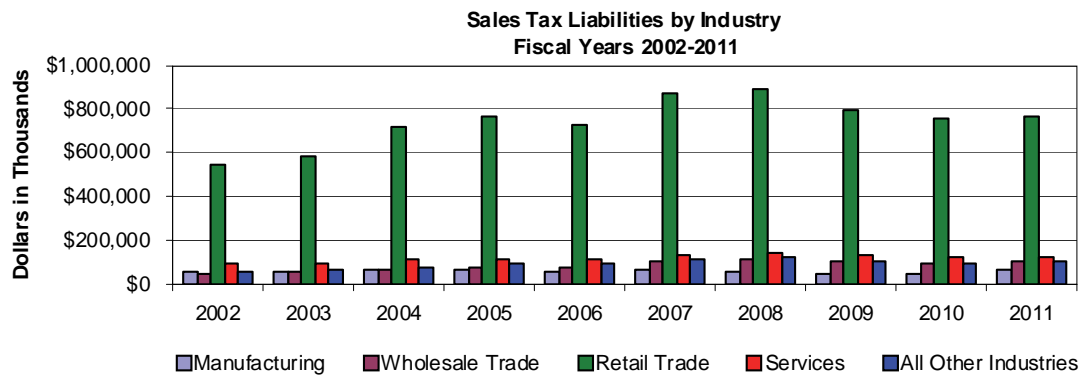
Corporate Income	As of Tax Year 2001				As of Tax Year 2010			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	15,322	25.3	\$64,359	88.5	12,478	15.6	(\$28,603)	30.5
Sub-S Corporations	19,901	32.9	3,761	5.2	29,451	37.0	43,487	(46.3)
Partnerships	16,673	27.6	2,175	3.0	28,564	35.7	(115,646)	123.1
Fiduciary	8,571	14.2	2,374	3.3	9,326	11.7	6,843	(7.3)
Total	60,467	100.0	\$72,669	100.0	79,819	100.0	(\$93,919)	100.0

Vehicle Fuel Tax	As of June 30, 2003				As of June 30, 2012			
	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total	Number of Filers ¹	Percent of Total	Tax Liability	Percent of Total
Diesel	123	39.6	\$57,518	27.0	101	40.2	\$60,654	27.6
Gasoline	128	41.3	154,234	72.3	100	39.8	157,313	71.6
Propane	25	8.1	53	0.0	21	8.4	19	0.0
Natural Gas	1	0.3	10	0.0	3	1.2	19	0.0
Aviation	13	4.2	153	0.1	9	3.6	127	0.1
Jet	20	6.5	1,323	0.6	17	6.8	1,554	0.7
Total	310	100.0	\$213,291	100.0	251	100.0	\$219,686	100.0

Source: Idaho State Tax Commission.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2010.

¹The total number of filers for vehicle fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.



Schedule 8 - Outstanding Debt Ratios

Fiscal Years 2003-2012

(dollars in thousands, except per capita amount)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
				(as restated)		(as restated)	(as restated)	(as restated)		
Governmental Activities										
Revenue Bonds ¹	\$153,624	\$211,031	\$203,067	\$205,203	\$324,657	\$306,159	\$281,322	\$257,088	\$233,246	\$207,106
Capital Leases ²	3,977	5,915	9,428	13,929	12,209	11,997	11,475	33,229	32,761	28,967
Notes Payable		3,167	1,189	3,776	3,679	3,543	5,118	4,914	4,709	4,476
Notes Payable to Component Unit ³					25,947	94,643	215,045	370,430	475,355	520,337
Total Governmental Activities	\$157,601	\$220,113	\$213,684	\$222,908	\$366,492	\$416,342	\$512,960	\$665,661	\$746,071	\$760,886
Business-Type Activities										
Revenue Bonds ⁴	\$262,517	\$318,138	\$329,835	\$319,308	\$402,181	\$443,016	\$449,410	\$473,667	\$457,631	\$457,113
Capital Leases	6,464	5,928	1,450	1,709	1,369	1,139	627	468	271	539
Capital Leases to Component Unit ⁵			3,657	3,422	3,172	2,917	2,652	2,377	2,082	1,777
Notes Payable ⁶	12,392	11,841	17,104	16,284	16,802	20,155	50,195	216,183	214,144	17,175
Notes Payable to Component Unit ⁶										187,570
Total Business-Type Activities	\$281,373	\$335,907	\$352,046	\$340,723	\$423,524	\$467,227	\$502,884	\$692,695	\$674,128	\$664,174
Total Primary Government	\$438,974	\$556,020	\$565,730	\$563,631	\$790,016	\$883,569	\$1,015,844	\$1,358,356	\$1,420,199	\$1,425,060
Debt as a Percentage of Personal Income⁷										
	1.2%	1.4%	1.3%	1.2%	1.6%	1.7%	2.1%	2.7%	2.7%	2.7%
Amount of Debt Per Capita⁷	\$321.6	\$399.4	\$396.5	\$384.4	\$525.9	\$577.2	\$655.2	\$863.8	\$891.2	\$880.3

Note: The Idaho Constitution, Article VIII, Section 1, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in Note 12 to the financial statements.

¹In fiscal years 2004, 2006, and 2007 the Idaho State Building Authority issued revenue bonds for state building projects.

²In fiscal year 2010 the increase in capital leases is mainly attributable to new leases for land and buildings at the Department of Correction and the Department of Fish and Game.

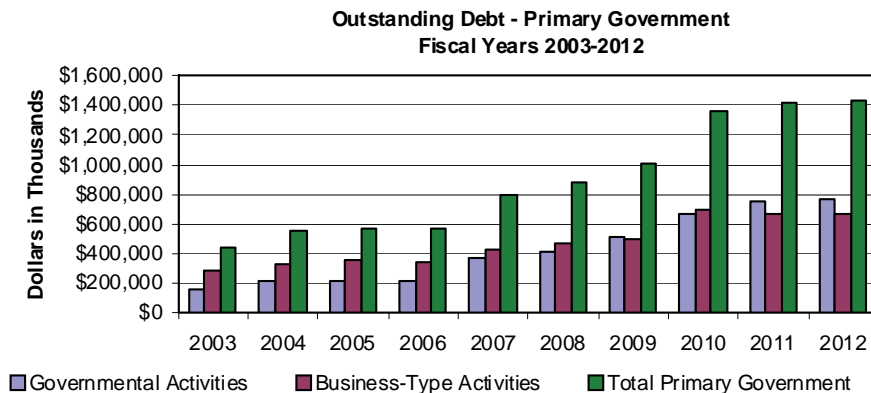
³From fiscal years 2007-2012 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association for road and infrastructure improvements.

⁴For fiscal years 2004-2005 and 2007-2010 the colleges and universities issued revenue bonds for various projects.

⁵Prior to fiscal year 2005 capital leases to component units were not reported separately.

⁶In fiscal years 2009 and 2010 the increases in notes payable are mainly attributable to unemployment compensation loan funds received from the federal government. In fiscal year 2012 the Idaho Housing and Finance Association loaned funds to pay off the balance of the unemployment compensation loan owed to the federal government. This resulted in a decrease in Business-Type Activities notes payable and an increase in notes payable to component unit.

⁷These ratios are calculated using personal income and population for the current calendar year. See Schedule 11 for personal income and population data.



Schedule 9 - Other Long-Term Liabilities

Fiscal Years 2003-2012

(dollars in thousands)

	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)	2007 (as restated)	2008 (as restated)	2009 (as restated)	2010	2011 (as restated)	2012
Governmental Activities										
Compensated Absences	\$51,713	\$52,806	\$54,664	\$56,245	\$56,629	\$56,599	\$54,893	\$51,996	\$61,095	\$62,775
Policy Claim Liabilities	39,429	35,174	37,263	36,002	17,867	20,164	19,753	16,956	13,869	15,450
Claims and Judgments ^{1,2}	43,468	44,129	36,990	34,486	33,825	141,777	113,115	79,970	180,773	178,173
Net Pension Obligation ³	124	375	621	1,071	1,714	2,375	2,711	11,140	12,508	13,596
Net OPEB Obligation ⁴						20,018	20,373	22,169	23,851	24,720
Total Governmental Activities	\$134,734	\$132,484	\$129,538	\$127,804	\$110,035	\$240,933	\$210,845	\$182,231	\$292,096	\$294,714
Business-Type Activities										
Compensated Absences	\$20,210	\$19,507	\$16,814	\$16,986	\$18,381	\$20,067	\$20,814	\$20,882	\$21,041	\$22,648
Claims and Judgments ²						445	528	1		
Net OPEB Obligation ⁴						7,858	9,233	11,267	13,707	15,513
Voluntary Termination Benefits ⁵								894		
Other Long-Term Liabilities								124	416	633
Total Business-Type Activities	\$20,210	\$19,507	\$16,814	\$16,986	\$18,381	\$28,370	\$30,575	\$33,168	\$35,164	\$38,794
Total Primary Government	\$154,944	\$151,991	\$146,352	\$144,790	\$128,416	\$269,303	\$241,420	\$215,399	\$327,260	\$333,508

Note: Details regarding the liabilities listed above can be found in Note 12 to the financial statements.

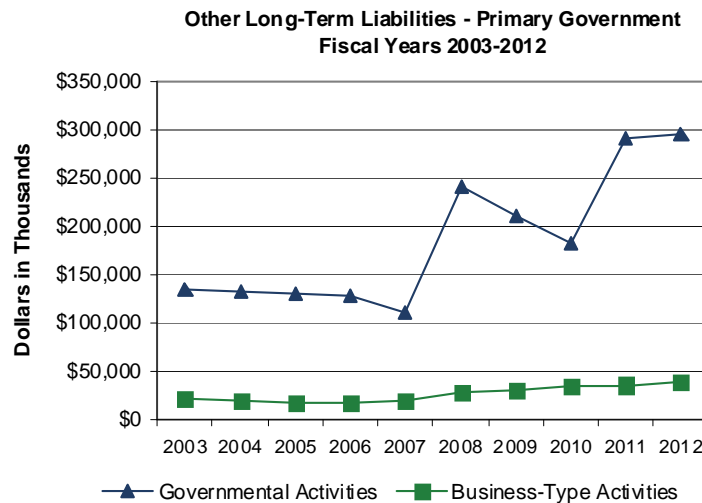
¹In fiscal year (FY) 2008 the Department of Health and Welfare changed its method of reporting Medicaid claims to include an estimate for incurred but not reported claims from providers. The changes between FY2008 and FY2011 are due to fluctuations in payment cycles caused by budget shortfalls and migrating to a new payment system.

²Claims and Judgments include arbitrage liabilities for fiscal years 2007-2010.

³In fiscal year 2010 the increase in the net pension obligation is mainly attributable to a restatement of the Idaho Judges' Retirement Fund due to a new actuarial valuation.

⁴Net OPEB obligation was not required to be reported prior to fiscal year 2008.

⁵In fiscal year 2010 the University of Idaho established a voluntary Exit Incentive Program for eligible employees to leave University employment with an economic incentive.



Schedule 10 - Pledged Revenue Coverage

Fiscal Years 2003-2012

	2003	2004	2005	2006	2007	2008
Governmental Activities						
Notes Payable - Idaho Transportation Department¹						
Revenue:						
Federal Highway Grants ²					\$282,848	\$300,680
State Funds					2,059	3,349
Available Revenue					\$284,907	\$304,029
Debt Service:						
Principal					\$2,426	\$20,240
Interest					6,766	8,245
Coverage					31.0	10.7
Business-Type Activities						
Revenue Bonds - Colleges and Universities³						
Revenue:						
Student Fees Pledged	\$36,578	\$120,060	\$131,669	\$138,670	\$144,471	\$179,630
Sale of Goods and Services Pledged	31,288	63,650	66,414	66,000	71,770	85,348
Other Income Pledged ⁴				7,178	9,867	31,174
Less: Operating Expenses	NA	(43,052)	(50,720)	(51,842)	(52,020)	(58,259)
Net Available Revenue	\$67,866	\$140,658	\$147,363	\$160,006	\$174,088	\$237,893
Debt Service:						
Principal	\$6,130	\$14,850	\$8,940	\$10,725	\$11,890	\$15,610
Interest	13,558	14,056	15,220	15,217	13,728	20,793
Coverage	3.4	4.9	6.1	6.2	6.8	6.5
Revenue Bonds - Idaho Water Resources Board⁵						
Revenue:						
Sale of Goods and Services	\$863	\$905	\$926	\$876	\$908	\$816
Less: Operating Expenses	(112)	(233)	(191)	(101)	(162)	(117)
Net Available Revenue	\$751	\$672	\$735	\$775	\$746	\$699
Debt Service:						
Principal	\$40	\$60	\$80	\$100	\$290	\$305
Interest	369	366	363	357	310	294
Coverage	1.8	1.6	1.7	1.7	1.2	1.2
Notes Payable - Colleges and Universities⁶						
Revenue:						
Student Fees Pledged			\$157	\$147	\$148	\$148
Housing Fees Pledged			NA	NA	NA	NA
Other Income Pledged						
Less: Operating Expenses			NA	NA	NA	NA
Net Available Revenue			\$157	\$147	\$148	\$148
Debt Service:						
Principal			\$94	\$98	\$102	\$106
Interest			45	41	37	33
Coverage			1.1	1.1	1.1	1.1

Note: Details regarding the State's outstanding bonds can be found in Note 12 to the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

¹For fiscal years 2007-2012 the Idaho Transportation Department issued notes payable to the Idaho Housing and Finance Association to finance road and infrastructure improvements.

²Fiscal year (FY) 2009 federal highway grants received by the Idaho Transportation Department decreased mainly due to the delay in awarding construction contracts, the delay of related federal awards reimbursements, and decreased construction costs. FY2010 grants increased because of the delayed reimbursement of FY2009 federal construction awards. FY2012 grants decreased due to the near-term completion of the American Recovery and Reinvestment Act stimulus program.

³Pledged revenue increased in fiscal year 2004 due to a change in how the colleges and universities define pledged revenue.

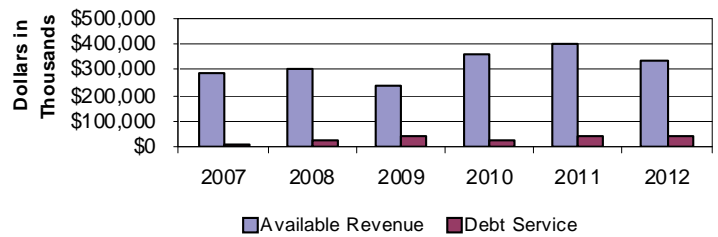
⁴In fiscal year 2008 other pledged income increased mainly due to revenues pledged as collateral for all outstanding bond issuances by the University of Idaho.

⁵In fiscal year (FY) 2006 the Board issued Series 2006 Refunding Bonds, defeasing the 1999 Series, accounting for the increase in debt service for FY2007.

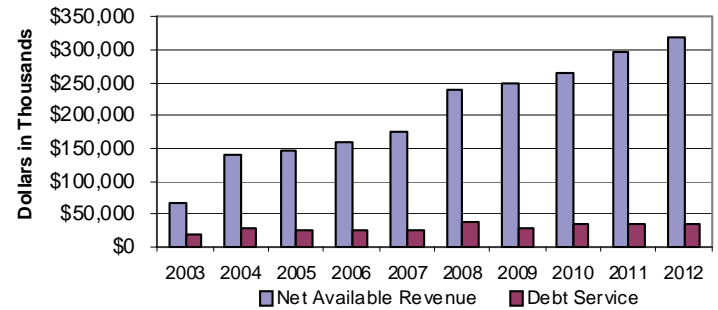
⁶In fiscal year (FY) 2004 Lewis-Clark State College issued notes payable to construct a student activity center; the first payment was due in FY2005. In FY2009 Lewis-Clark issued notes payable to purchase a residence hall; housing fees associated with the residence hall account for the increase in available revenue. In FY2012 Lewis-Clark issued notes payable to refinance Student Fee Refunding Revenue Bonds.

2009	2010	2011	2012
\$234,667	\$355,288	\$399,049	\$334,747
2,439	3,255	3,509	3,829
\$237,106	\$358,543	\$402,558	\$338,576
\$30,589	\$8,176	\$20,936	\$19,957
11,787	19,074	25,862	26,836
5.6	13.2	8.6	7.2
\$197,711	\$212,768	\$236,690	\$257,850
84,327	91,258	84,978	90,136
25,337	22,641	36,803	35,990
(59,487)	(61,226)	(61,342)	(65,802)
\$247,888	\$265,441	\$297,129	\$318,174
\$9,755	\$13,190	\$15,085	\$14,090
19,473	20,339	20,243	21,524
8.5	7.9	8.4	8.9
\$886	\$983	\$990	\$1,059
(149)	(117)	(124)	(136)
\$737	\$866	\$866	\$923
\$325	\$340	\$360	\$380
277	259	240	220
1.2	1.4	1.4	1.5
\$146	\$142	\$169	\$1,001
417	445	430	429
		76	110
(297)	(154)	(107)	(410)
\$266	\$433	\$568	\$1,130
\$127	\$114	\$366	\$334
63	25	176	138
1.4	3.1	1.0	2.4

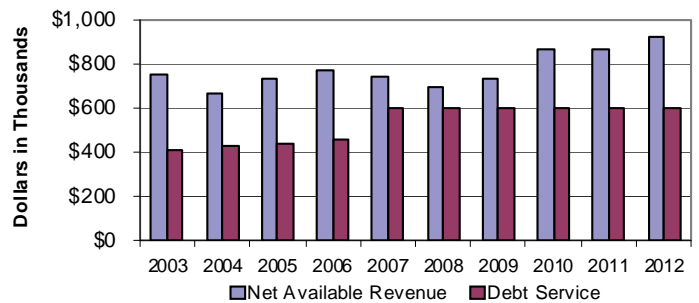
**Idaho Transportation Department, Notes Payable
Revenue and Debt Service
Fiscal Years 2007-2012**



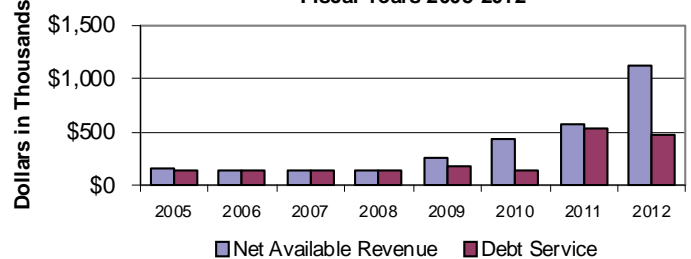
**Colleges and Universities, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2003-2012**



**Idaho Water Resources Board, Revenue Bonds
Revenue and Debt Service
Fiscal Years 2003-2012**



**Colleges and Universities, Notes Payable
Revenue and Debt Service
Fiscal Years 2005-2012**



Schedule 11 - Demographic and Economic Indicators
Calendar Years 2003-2012

	2003	2004	2005	2006	2007	2008
Population						
Idaho (<i>in thousands</i>)	1,365	1,392	1,427	1,466	1,502	1,531
Change	1.8%	2.0%	2.5%	2.8%	2.4%	1.9%
National (<i>in thousands</i>)	291,116	293,758	296,460	299,282	302,227	304,948
Change	0.9%	0.9%	0.9%	1.0%	1.0%	0.9%
Total Personal Income¹						
Idaho (<i>in billions</i>)	\$36	\$40	\$42	\$46	\$49	\$51
Change	3.3%	9.6%	6.7%	9.6%	6.1%	3.5%
National (<i>in billions</i>)	\$9,378	\$9,937	\$10,486	\$11,268	\$11,912	\$12,460
Change	3.5%	6.0%	5.5%	7.5%	5.7%	4.6%
Per Capita Personal Income²						
Idaho	\$26,421	\$28,408	\$29,561	\$31,537	\$32,690	\$33,182
Change	1.5%	7.5%	4.1%	6.7%	3.7%	1.5%
National	\$32,214	\$33,828	\$35,370	\$37,650	\$39,415	\$40,859
Change	2.5%	5.0%	4.6%	6.4%	4.7%	3.7%
Median Age - Idaho						
	33.6	33.7	33.9	33.9	33.9	34.0
Educational Attainment						
8th Grade or Less	5.2%	5.2%	4.5%	4.3%	4.5%	4.5%
Some High School, No Diploma	10.1%	10.1%	7.6%	8.4%	8.7%	8.2%
High School Diploma	28.5%	28.5%	29.7%	28.3%	29.7%	30.1%
Some College, No Degree	27.3%	27.3%	26.1%	27.0%	25.8%	25.4%
Associate, Bachelor or Graduate Degree	28.9%	28.9%	32.1%	32.0%	31.3%	31.8%
Resident Civilian Labor Force and Employment in Idaho						
Civilian Labor Force	688,291	698,123	722,190	740,105	749,993	757,756
Employed	652,161	666,080	695,428	718,077	727,728	721,876
Unemployed	36,130	32,043	26,762	22,028	22,265	35,880
Unemployment Rate	5.2%	4.6%	3.7%	3.0%	3.0%	4.7%
Nonfarm Wage and Salary Workers Employed in Idaho						
Goods Producing Industries						
Mining	1,785	1,931	2,160	2,372	2,665	2,750
Logging and Wood Products	9,047	9,296	9,621	10,041	9,593	7,995
Construction	36,739	39,839	45,128	52,047	52,594	45,006
Manufacturing-Durable Goods ³	38,163	38,615	39,947	42,235	41,543	37,122
Manufacturing-Nondurable Goods	23,912	23,131	22,927	23,234	23,861	24,583
Total Goods Producing Industries	109,646	112,812	119,783	129,929	130,256	117,456
Non-Goods Producing Industries						
Trade	97,120	99,131	103,675	107,464	111,651	110,452
Service	260,018	269,013	280,740	292,713	304,461	307,042
State and Local Government	99,395	101,145	101,860	103,519	103,958	105,965
Federal Government	13,625	13,316	13,084	12,879	12,820	13,202
Total Non-Goods Producing Industries	470,158	482,605	499,359	516,575	532,890	536,661
Total Nonfarm Wage and Salary Employment	579,804	595,417	619,142	646,504	663,146	654,117

Sources: Idaho Division of Financial Management, Idaho Department of Labor, Idaho State Board of Education, U.S. Bureau of Economic Analysis, and U.S. Census Bureau.

Note: Amounts for calendar years 2010-2012 are estimates. Prior year amounts may change due to revisions by the U.S. Bureau of Economic Analysis and the U.S. Census Bureau.

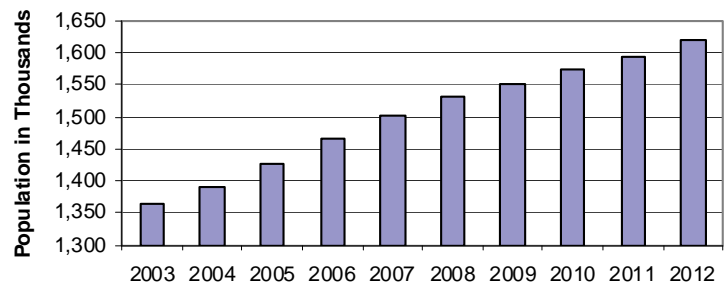
¹Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.

²Per capita personal income is calculated by dividing total personal income by population.

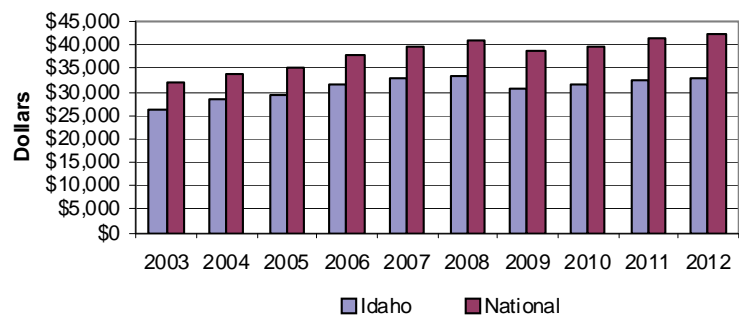
³"Manufacturing-Durable Goods" amounts are net of "Logging and Wood Products" amounts, which are presented separately in this schedule.

2009	2010	2011	2012
1,551	1,573	1,594	1,619
1.3%	1.4%	1.3%	1.6%
307,580	310,064	312,376	315,311
0.9%	0.8%	0.7%	0.9%
\$48	\$50	\$52	\$53
-5.7%	3.5%	5.1%	2.6%
\$11,867	\$12,322	\$12,947	\$13,295
-4.8%	3.8%	5.1%	2.7%
\$30,880	\$31,506	\$32,665	\$33,009
-6.9%	2.0%	3.7%	1.1%
\$38,582	\$39,740	\$41,447	\$42,165
-5.6%	3.0%	4.3%	1.7%
34.1	34.6	34.9	34.9
3.9%	5.0%	4.5%	4.3%
7.8%	7.1%	7.1%	7.4%
29.9%	27.7%	28.8%	28.8%
25.4%	27.6%	27.3%	26.5%
33.0%	32.6%	32.3%	33.0%
752,209	763,498	770,639	776,806
696,382	696,515	703,562	714,994
55,827	66,983	67,077	61,812
7.4%	8.8%	8.7%	8.0%
2,163	2,294	2,563	2,759
5,866	5,721	6,071	6,221
34,390	31,143	29,581	29,600
30,054	28,775	29,908	30,741
23,633	23,266	23,295	23,546
96,106	91,199	91,418	92,867
102,267	100,623	101,216	103,645
295,836	296,047	299,744	304,584
105,967	104,591	103,923	104,577
13,499	13,574	12,658	12,558
517,569	514,835	517,541	525,364
613,675	606,034	608,959	618,231

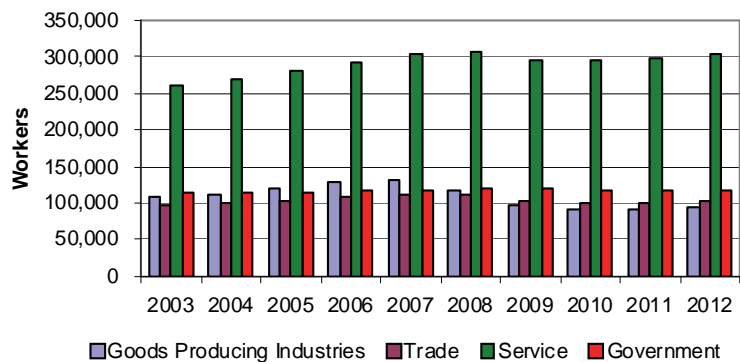
Idaho Population
Calendar Years 2003-2012



Per Capita Personal Income
Calendar Years 2003-2012



Nonfarm Wage and Salary Workers
Employed in Idaho
Calendar Years 2003-2012



Schedule 12 - Principal Employers

Current Year and Nine Years Ago

Major Idaho Employers	As of June 30, 2003			As of June 30, 2012		
	Number of Employees	Rank	Percent of Total State Employment	Number of Employees	Rank	Percent of Total State Employment
State of Idaho ¹	18,000-18,500	1	2.8	18,500-19,000	1	2.6
Federal Government	13,500-14,000	2	2.1	12,500-13,000	2	1.8
St Luke's Regional Medical Center	4,000-4,500	7	0.7	9,500-10,000	3	1.4
Wal-Mart Associates, Inc.	5,500-6,000	4	0.9	6,500-7,000	4	0.9
Micron Technology, Inc.	9,000-9,500	3	1.4	5,500-6,000	5	0.8
Meridian Joint School District #2	3,000-3,500	11	0.5	4,000-4,500	6	0.6
Brigham Young University-Idaho				4,000-4,500	7	0.6
Battelle Energy Alliance ²	5,000-5,500	5	0.8	4,000-4,500	8	0.6
Boise Independent School District #1	3,000-3,500	10	0.5	3,500-4,000	9	0.5
Albertsons (Supervalu)	5,000-5,500	6	0.8	3,000-3,500	10	0.5
St Alphonsus Regional Medical Center				3,000-3,500	11	0.5
J.R. Simplot Co.	3,500-4,000	8	0.6	3,000-3,500	12	0.5
Hewlett-Packard Co.	3,500-4,000	9	0.6			
Total	75,750		11.7	80,000		11.3

Source: Idaho Department of Labor, except state employee data, which comes from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given.

¹Number of state employees includes only full-time personnel.

²Battelle Energy Alliance was formerly known as Bechtel BWXT Idaho.

Schedule 13 - Education Enrollment

Public School Enrollment Grades K-12

Academic Years 2002/03-2011/12

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Elementary	133,532	135,245	137,606	141,921	146,253	150,094	151,902	154,368	153,298	155,705
Secondary	115,217	116,875	118,478	120,061	121,347	122,025	123,252	124,236	125,237	126,149
Total All Grades	248,749	252,120	256,084	261,982	267,600	272,119	275,154	278,604	278,535	281,854

Source: Idaho Department of Education

Public Higher Education Enrollment

Student Headcount (Calendar Years 2003-2012)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Boise State University	18,431	18,418	18,650	18,880	19,542	19,670	18,936	19,993	19,664	22,678
Idaho State University	13,625	13,803	13,977	12,679	13,362	12,644	13,493	12,595	12,587	13,860
University of Idaho	12,894	12,824	12,476	11,739	11,636	11,791	11,957	12,302	12,312	12,493
Lewis-Clark State College	3,228	3,145	3,222	3,211	3,269	3,334	3,521	3,822	3,761	3,775
Eastern Idaho Technical College	860	788	753	758	762	768	870	862	829	709
Total Colleges and Universities	49,038	48,978	49,078	47,267	48,571	48,207	48,777	49,574	49,153	53,515

Source: Idaho State Board of Education

Note: Total headcount includes academic full-time, academic part-time, and vocational students.

Schedule 14 - State Employees by Function
Fiscal Years 2003-2012

Full-Time Employees

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Tax Commission	370	391	383	387	389	392	393	368	373	406
Department of Administration	162	153	157	153	164	138	142	139	141	137
All Other	1,054	1,025	1,069	1,069	1,093	1,144	1,161	1,133	1,098	1,058
Public Safety and Correction										
Department of Correction	1,345	1,365	1,407	1,454	1,516	1,560	1,586	1,543	1,529	1,517
Idaho State Police	451	454	455	462	467	469	485	465	452	458
Department of Juvenile Corrections	320	327	328	333	342	350	396	381	382	387
All Other	344	321	333	333	339	336	349	327	362	354
Health and Human Services										
Department of Health and Welfare	2,658	2,657	2,687	2,764	2,885	2,917	2,922	2,887	2,642	2,606
Education										
Colleges and Universities	5,857	5,723	5,776	5,878	6,004	6,063	6,124	6,242	6,093	6,436
All Other	499	517	538	540	480	456	468	469	473	361
Economic Development										
Idaho Transportation Department	1,773	1,786	1,774	1,745	1,717	1,726	1,758	1,772	1,742	1,714
Department of Commerce and Labor ¹		584	580	553	496					
Department of Labor ¹	472					440	436	506	532	514
Department of Agriculture	296	305	281	302	307	301	293	279	245	249
All Other	785	712	819	840	840	933	932	909	981	966
Natural Resources										
Department of Environmental Quality	350	353	352	345	352	356	365	340	328	331
Department of Fish and Game	494	504	497	500	506	502	513	504	535	545
Department of Lands	218	221	231	225	234	244	242	235	227	231
Department of Parks and Recreation	141	137	147	146	141	146	155	147	131	132
All Other	186	160	182	182	181	193	195	182	174	171
State Total	17,775	17,695	17,996	18,211	18,453	18,666	18,915	18,828	18,440	18,573

Part-Time and Temporary Employees²

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	364	346	356	363	361	405	334	385	362	388
Public Safety and Correction	188	187	186	207	195	223	192	159	174	202
Health and Human Services	614	671	589	654	591	620	400	286	256	229
Education	2,960	2,766	2,779	2,638	2,740	3,347	2,880	2,532	2,509	2,587
Economic Development	886	970	984	936	900	896	907	838	884	774
Natural Resources	529	548	591	590	608	686	603	518	440	433
State Total	5,541	5,488	5,485	5,388	5,395	6,177	5,316	4,718	4,625	4,613

Source: Office of the Idaho State Controller.

¹In fiscal year (FY) 2004 legislative action combined the Department of Commerce with the Department of Labor. In FY2008 legislative action separated the Department of Commerce from the Department of Labor.

²Part-time and temporary employees are those working less than full-time, including board and commission members.

Schedule 15 - Operating Indicators by Function
Calendar/Fiscal Years 2003-2012

	2003	2004	2005	2006	2007	2008
<u>General Government</u>						
Tax Commission						
Number of Returns Filed (<i>in thousands</i>)	1,981	2,046	2,117	2,204	2,180	2,292
Number of Returns Filed Electronically (<i>in thousands</i>)	212	258	310	345	386	436
Department of Administration						
Construction Projects Administered	200	143	186	424	538	529
Employees Covered by Benefit Plans	19,250	18,076	18,495	18,829	19,045	19,319
<u>Public Safety and Correction</u>						
Department of Correction¹						
Incarcerated Offenders	5,825	6,312	6,526	6,976	7,357	7,338
Supervised Offenders	9,346	9,955	10,926	11,825	12,581	13,361
Idaho State Police						
Drug Related Arrests ²	821	967	779	598	989	850
DUI Arrests ²	1,723	1,708	1,461	817	1,744	1,654
All Other Arrests ²	960	1,098	849	724	811	1,278
Department of Juvenile Corrections						
Number of Juveniles in the System	726	676	709	725	710	744
Rate of Recombinment to DJC Custody	8.2%	11.4%	15.2%	11.0%	11.6%	11.7%
<u>Health and Human Services</u>						
Department of Health and Welfare¹						
Medicaid Enrollees ³	158,672	169,511	178,694	178,858	184,508	184,465
Percent of Population	11.6%	12.2%	12.6%	12.2%	12.3%	12.1%
Food Stamp Recipients	84,066	92,963	94,956	91,032	86,946	95,433
Percent of Population	6.2%	6.7%	6.7%	6.2%	5.8%	6.3%
<u>Education</u>						
Colleges and Universities¹						
Enrollment	49,038	48,978	49,078	47,267	48,571	48,207
Number of Certificates and Degrees Awarded	8,395	7,231	8,506	8,386	8,733	8,550
<u>Economic Development</u>						
Idaho Transportation Department						
Percent of Pavement Which is Deficient ¹	16%	19%	19%	19%	20%	19%
Vehicles Weighed (<i>in thousands</i>)	2,340	2,630	2,760	3,090	2,800	2,700
Department of Labor						
Individuals Registered for Employment	192,121	191,346	206,422	184,178	175,178	222,606
Job Openings Received	56,802	68,533	83,951	101,502	96,239	77,012
Department of Agriculture						
Conduct Disease Tests on Animals ⁴	380,762	422,751	253,960	118,821	208,338	303,184
Inspections of Dairy Farms	3,851	4,282	3,378	6,866	6,632	5,897
<u>Natural Resources</u>						
Department of Fish and Game						
Citations and Warnings Issued	5,359	5,744	4,681	4,790	6,140	5,411
Hatchery Fish Raised (<i>in thousands</i>) ²	27,859	38,099	41,740	40,649	35,502	29,573
Hunting and Fishing Licenses Sold ²	531,745	527,164	539,590	521,489	572,617	536,681
Department of Environmental Quality						
Air Quality Sites Monitored	70	64	37	42	35	31
Water Sites Monitored ⁵	436	442	673	658	506	610
Department of Lands¹						
Forest Products Harvested (<i>in million board feet</i>)	170	254	188	206	215	225
Fires Responded to on IDL Land	362	292	228	445	349	247
Department of Parks and Recreation						
Park Visitation (<i>in thousands</i>) ^{1,2,6}	2,489	2,358	2,648	2,738	4,248	4,203
Recreational Registrations (<i>in thousands</i>) ⁶	216	233	237	256	273	274

Sources: Idaho Division of Financial Management; Idaho State Tax Commission; Office of the Idaho State Controller; Idaho State Police; Idaho State Board of Education; and the Idaho Departments of Administration, Correction, Juvenile Corrections, Health and Welfare, Transportation, Labor, Agriculture, Fish and Game, Environmental Quality, Lands, and Parks and Recreation.

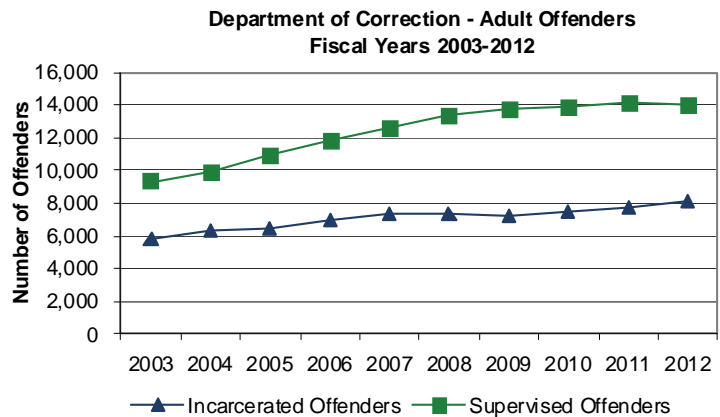
Note: Operating indicators for fiscal years 2011 and 2012 are estimates unless otherwise noted below.

¹Operating indicators for 2011 are actual amounts, not estimates.

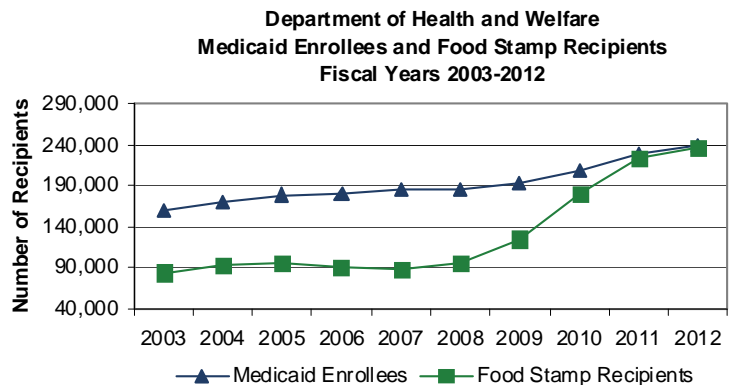
²Operating indicators are reported on a calendar year basis.

³In fiscal year 2007 the Department of Health and Welfare changed methods for calculating the number of Medicaid enrollees.

2009	2010	2011	2012
2,220	2,226	2,260	2,316
457	492	543	568
443	431	399	345
19,507	19,343	18,942	19,018
7,283	7,504	7,800	8,097
13,756	13,902	14,175	14,052
895	982	1,021	1,454
1,977	2,441	2,003	1,845
1,281	1,163	1,262	1,145
659	568	529	553
18.4%	17.0%	15.0%	12.0%



191,989	209,126	227,991	238,165
12.4%	13.4%	14.4%	14.7%
124,826	179,074	223,370	235,502
8.1%	11.4%	14.1%	14.5%

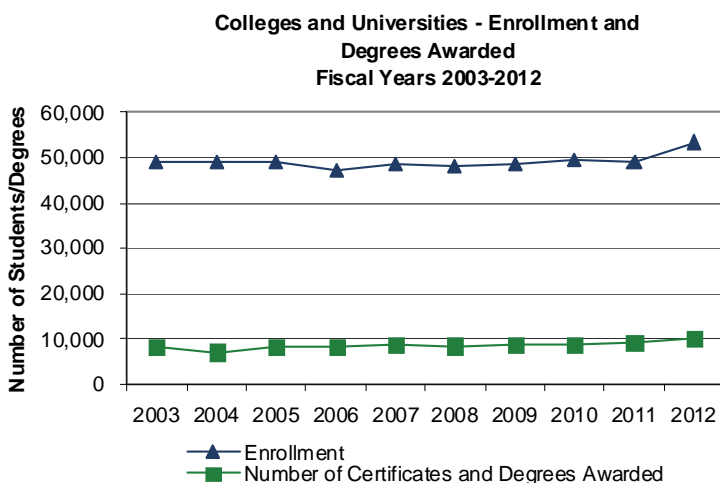


48,777	49,574	49,153	53,515
8,739	8,760	9,306	9,980

20%	18%	16%	13%
2,400	2,400	2,400	2,314

284,205	334,896	331,449	301,338
46,967	47,956	69,323	57,189

367,698	362,905	676,604	100,454
7,919	6,932	7,653	8,024



5,435	4,799	4,053	4,175
22,676	27,085	32,351	23,007
571,179	548,949	523,698	573,714

42	41	43	39
0	128	101	237

190	212	273	NA
352	183	249	NA

4,460	4,389	4,783	NA
286	272	268	NA

⁴In fiscal years 2011 and 2012 the increase and decrease in disease testing on animals are attributed to brucellosis testing.

⁵In fiscal year (FY) 2009 the Department of Environmental Quality suspended surface water monitoring activities due to the FY2009 budget cuts.

⁶Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

Schedule 16 - Capital Assets by Function
Fiscal Years 2003-2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>General Government</u>										
Department of Administration										
Buildings (<i>square footage in thousands</i>)	661	661	733	741	741	728	728	728	728	728
<u>Public Safety and Correction</u>										
Department of Correction										
Buildings	82	85	93	94	97	97	98	101	104	105
Vehicles	301	330	334	339	353	392	342	359	367	384
Idaho State Police										
Vehicles	403	454	425	422	441	431	443	431	459	419
Machinery and Equipment	720	807	812	783	846	867	928	810	915	857
Department of Juvenile Corrections										
Buildings (<i>square footage in thousands</i>)	252	252	252	252	252	250	250	239	239	242
Vehicles	41	46	53	53	52	54	53	56	56	54
<u>Health and Human Services</u>										
Department of Health and Welfare										
Buildings (<i>square footage in thousands</i>) ¹	928	928	928	928	914	914	978	934	801	1,395
Vehicles	582	518	490	517	539	518	520	501	485	480
<u>Education</u>										
Colleges and Universities										
Buildings (<i>square footage in thousands</i>)	11,358	11,743	11,919	12,265	12,539	12,890	13,612	13,931	14,198	15,024
<u>Economic Development</u>										
Idaho Transportation Department										
Highway Lane Miles ²	11,819	11,852	11,874	11,874	11,877	11,930	11,944	11,989	11,998	12,222
Vehicles	109	112	97	96	96	96	96	96	101	100
Heavy Equipment	551	545	552	585	585	589	589	589	591	552
Department of Agriculture										
Scientific and Laboratory Equipment	142	145	147	156	162	165	176	165	153	160
Vehicles	140	158	166	191	209	201	195	196	177	195
<u>Natural Resources</u>										
Department of Fish and Game										
Hatcheries	19	19	19	19	19	22	22	23	23	23
Vehicles	610	722	766	692	646	621	670	636	638	665
Boats	288	302	302	296	289	286	287	281	280	279
Wildlife Management Areas	33	33	33	33	33	33	33	32	32	32
Department of Environmental Quality										
Air Monitoring Instruments	199	125	126	131	119	124	166	167	171	196
Water Sampling/Quality Equipment	276	82	88	94	87	88	76	78	78	80
Department of Lands										
Acres of Land (<i>in thousands</i>) ²	2,464	2,462	2,460	2,460	2,460	2,461	2,460	2,446	2,449	2,448
Vehicles	332	361	341	346	353	351	350	356	343	362
Department of Parks and Recreation										
State Parks	34	34	34	34	35	35	35	30	30	30
Acres of State Park Land (<i>in thousands</i>)	60	60	60	60	61	61	61	60	60	60
Buildings	262	273	282	288	317	322	329	344	341	357
Vehicles	223	232	240	257	288	312	343	329	320	313

Sources: Office of the Idaho State Controller; Idaho Departments of Juvenile Corrections, Health and Welfare, Transportation, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

Note: The Idaho State Tax Commission, the Department of Commerce, and the Department of Labor are not capital asset intensive.

¹Fiscal year 2012 includes leased buildings.

²Highway lane miles and acres of land for fiscal year 2012 are based on estimates.



Schedule 17 - Assets, Liabilities, and Fund Balances

General Fund Accounts

June 30, 2012

(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
ASSETS					
Cash and Cash Equivalents	\$2				
Pooled Cash and Investments	376,740	\$37,487	\$24,451	\$19,657	\$83,630
Investments		10,877		1	1,011
Securities Lending Collateral	384,725	4,251			394
Accounts Receivable, Net	475			12,497	
Taxes Receivable, Net	226,780	2,415			345
Interfund Receivables	4,838	7,293			
Due from Other Entities					
Inventories and Prepaid Items	2,001	62		142	22
Loans, Notes, and Pledges Receivable, Net					
Other Assets	1	50			6
Restricted Assets:					
Cash and Cash Equivalents				209	
Investments				141,713	
Total Assets	\$995,562	\$62,435	\$24,451	\$174,219	\$85,408
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$276,783	\$847			\$205
Payroll and Related Liabilities	11,869	85			30
Interfund Payables	1,509	84			59
Due to Other Entities					
Deferred Revenue	83,313	2,554		\$12,498	4
Amounts Held in Trust for Others	240				
Obligations Under Securities Lending	384,725	4,251			394
Other Accrued Liabilities	322	1,175			
Total Liabilities	758,761	8,996		12,498	692
Fund Balances					
Nonspendable:					
Inventories and Prepaid Items	2,001	62		142	22
Noncurrent Receivables					
Restricted				147,380	
Committed		53,377			84,694
Assigned	795		\$154		
Unassigned	234,005		24,297	14,199	
Total Fund Balances	236,801	53,439	24,451	161,721	84,716
Total Liabilities and Fund Balances	\$995,562	\$62,435	\$24,451	\$174,219	\$85,408

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
					\$576	\$578
\$37,615	\$2,142	\$1	\$3,804	(\$6,390)	102,040	681,177
					1,693	13,582
					662	390,032
				2,895	1,224	17,091
17,620	27,974				257	275,391
					201	12,332
					5	5
				6,296	264	8,787
					1,711	1,711
					36	93
7,120					2,289	9,618
					1,027	142,740
\$62,355	\$30,116	\$1	\$3,804	\$2,801	\$111,985	\$1,553,137
	\$154	\$350		\$87	\$733	\$279,159
			\$128	579	1,337	14,028
						1,652
\$41,297						41,297
1,937	16,973				2,631	119,910
					18,495	18,735
					662	390,032
					164	1,661
43,234	17,127	350	128	666	24,022	866,474
				6,296	264	8,787
					50	50
19,121	12,989				4,944	184,434
					47,027	185,098
			3,676		52,646	57,271
		(349)		(4,161)	(16,968)	251,023
19,121	12,989	(349)	3,676	2,135	87,963	686,663
\$62,355	\$30,116	\$1	\$3,804	\$2,801	\$111,985	\$1,553,137

Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances

General Fund Accounts

For the Fiscal Year Ended June 30, 2012

(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
REVENUES					
Sales Tax	\$1,022,706	\$5,000			
Individual and Corporate Taxes	1,365,532	6,349			\$451
Other Taxes	30,658	20,416			4,327
Licenses, Permits, and Fees	11,438				1,428
Sale of Goods and Services	866	122			4,362
Grants and Contributions	19				44
Investment Income	10,636	803	\$5	\$1,260	848
Tobacco Settlement				24,922	
Other Income	17,146	144			83
Total Revenues	2,459,001	32,834	5	26,182	11,543
EXPENDITURES					
Current:					
General Government	76,055	13,095	85	556	251
Public Safety and Correction	228,762			5,106	1,514
Health and Human Services				864	3,105
Education	96,069				1,256,314
Economic Development	19,282				553
Natural Resources	15,235				
Capital Outlay	4,620	17,731	53	2	550
Intergovernmental Revenue Sharing	19,463				2,526
Debt Service:					
Principal Retirement	827	186			
Interest and Other Charges	12,032	176			1
Total Expenditures	472,345	31,188	138	6,528	1,264,814
Revenues Over (Under) Expenditures	1,986,656	1,646	(133)	19,654	(1,253,271)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	180				
Transfers In	173,390	27,224	23,877	14,964	1,369,150
Transfers Out	(2,137,083)	(19,542)	128	(77,810)	(97,709)
Total Other Financing Sources (Uses)	(1,963,513)	7,682	24,005	(62,846)	1,271,441
Net Changes in Fund Balances	23,143	9,328	23,872	(43,192)	18,170
Fund Balances - Beginning of Year, as Restated	213,658	44,111	579	204,913	66,546
Fund Balances - End of Year	\$236,801	\$53,439	\$24,451	\$161,721	\$84,716

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
\$169,710	\$8,751				\$3,524		\$1,209,691
	10,453				6,506		1,389,291
	3,978				717		60,096
		\$152		\$92	7,908		21,018
				33	21,574		26,957
					15,947		16,010
		71			550		14,173
							24,922
		3,025	\$4	5,596	30,460		56,458
169,710	23,182	3,248	4	5,721	87,186		2,818,616
	(4)		5,459	38	12,490		108,025
					6,179		241,561
		33,387					37,356
					51,510		1,403,893
				352	17,859		38,046
				8,873	3,806		27,914
			27		2,216		25,199
172,749	449				4,582		199,769
							1,013
					1		12,210
172,749	445	33,387	5,486	9,263	98,643		2,094,986
(3,039)	22,737	(30,139)	(5,482)	(3,542)	(11,457)		723,630
					177		357
		35,338	5,846	4,226	55,084	(\$1,547,147)	161,952
	(22,699)				(56,992)	1,547,147	(864,560)
	(22,699)	35,338	5,846	4,226	(1,731)		(702,251)
(3,039)	38	5,199	364	684	(13,188)		21,379
22,160	12,951	(5,548)	3,312	1,451	101,151		665,284
\$19,121	\$12,989	(\$349)	\$3,676	\$2,135	\$87,963		\$686,663

Schedule 19 - Miscellaneous Statistics

State Facts		Twenty Largest Communities in Idaho	
State Capital	Boise	Boise	205,671
Admitted to the Union	July 3, 1890	Nampa	81,557
Nickname	The Gem State	Meridian	75,092
Motto	Esto Perpetua (Let It Be Perpetual)	Idaho Falls	56,813
Population	1,618,800	Pocatello	54,255
Highest Elevation Point	Mt. Borah	Caldwell	46,237
	12,662 Feet Above Sea Level	Coeur d'Alene	44,137
Lowest Elevation Point	Snake River, Lewiston	Twin Falls	44,125
	710 Feet Above Sea Level	Lewiston	31,894
Number of Lakes	More Than 2,000	Post Falls	27,574
State Bird	Mountain Bluebird	Rexburg	25,484
State Fish	Cutthroat Trout	Moscow	23,800
State Flower	Syringa	Eagle	19,908
State Gem Stone	Idaho Star Garnet	Kuna	15,210
State Horse	Appaloosa	Mountain Home	14,206
State Insect	Monarch Butterfly	Chubbuck	13,922
State Song	"Here We Have Idaho"	Ammon	13,816
State Tree	Western White Pine	Hayden	13,294
		Blackfoot	11,899
		Garden City	10,972

Source: Idaho Blue Book, 2011-2012

Source: Idaho Blue Book, 2011-2012

Land Area and Use		Idaho Commodity Rankings		
(in square miles)		Commodity	U.S. Rank	U.S. %
Land Area	83,557	Potatoes	1	30
Water Area	880	Austrian Winter Peas	1	47
Federal Land	52,715	Barley	1	30
Total Non-Federal Land	30,842	Wrinkled Seed Peas	2	27
Total Rural Land	79,379	Sugarbeets	2	21
Agricultural Land	12,534	All Mint	3	20
Range Land	34,258	Hops	3	8
Forest Land	32,587	Lentils	4	7
		Dry Edible Peas	4	5
		Dry Edible Beans	5	9
		Sweet Cherries	5	1
		All Wheat	5	6
		All Hay	9	4
		Apples	11	1

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Source: Idaho Fiscal Facts 2012

Source: Idaho Fiscal Facts 2012



Rodeo
Bannock County



Rafting
Owyhee County

Office of the State Controller

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